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Argentina	225 P	145 2/3	145 2/3
Australia	800 DM	1.800 Rate	1.800 Rate
Belgium	50 FR	500 FR	500 FR
Canada	1.95	1.95	1.95
Ceylon	110 DM	110 DM	110 DM
Denmark	11.00 DM	11.00 DM	11.00 DM
Egypt	1.00 DM	1.00 DM	1.00 DM
France	100 FR	100 FR	100 FR
Germany	1.00 DM	1.00 DM	1.00 DM
Greece	120 DM	120 DM	120 DM

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U.S. to Tone Down Criticism of Israel

Decision Traced To Milder Stand On Deportations

By David K. Shipler
New York Times Service
 WASHINGTON — The State Department has decided to refrain from further strong public criticism of Israel's handling of Palestinian protesters, according to a well-placed administration official. He said the decision was not a result of complaints to the State Department 10 days ago by leaders of U.S. Jewish organizations, but instead was made because Israeli leaders appeared to be responding to U.S. appeals. "Sometimes if you say things too many times in public, it can be counterproductive," he remarked Monday.

Troops in Gaza Kill Palestinian And Wound 7

By Thomas L. Friedman
New York Times Service
 JERUSALEM — Israeli troops shot and killed at least one Palestinian youth on Tuesday and wounded seven others while trying to quell a fresh outbreak of rioting in the Gaza Strip. Five Israeli soldiers were slightly wounded from rocks and bottles thrown at them by the Palestinians. Despite the Israeli Army's ordered expulsion of nine Palestinian militants on Sunday, the arrest of more than 1,000 demonstrators in the last month and the killing of 24



A Tokyo foreign exchange dealer signaled Tuesday to bid for dollars. The U.S. currency soared in trading there to close at 123.95 yen.

Central Banks Again Intervene To Drive Dollar Sharply Higher

NEW YORK — Concerted intervention by central banks drove the dollar sharply higher again on Tuesday, fueling speculation that leading industrialized nations were trying to establish a higher trading bottom for the currency. The dollar recouped most of the losses posted over the Christmas holidays, when anxiety about the U.S. economy drove the currency down to its lowest level since World War II.

The dollar's rebound buoyed share prices in New York and triggered impressive stock gains in Tokyo, London, Paris and Frankfurt. On Wall Street, the Dow jumped 50 points in the first half-hour of trading, but settled back in the afternoon to end 16.25 points higher at 2,031.50. (Page 8).

Central Bank Move: Decision Time for Speculators

By Carl Gewirtz
International Herald Tribune
 PARIS — Foreign exchange dealers have a phrase to describe the coordinated central bank intervention in world currency markets on Monday and Tuesday: a classic "bear squeeze." As the dollar's value is forced up, speculators are supposed to be forced out.

The speculators in question are not villains of the pre-Depression sort, but rather institutions — corporate or financial — that for one reason or another have perceived the dollar to be on a one-way track down. Betting against it has seemed like a sure thing, and this pessimism — the "negative market psychology" that dealers so often refer to — has fed off itself, weakening the currency further.

The central banks have done what they did to remind these professionals that what goes down can also go up, and that those who speculate in a moody market can get badly burnt. But it is also important to note that the central banks have been so successful because there has been nothing — such as negative economic data — to counter their efforts. That could change on Jan. 15,

when the next U.S. trade figures are due to be released. The timing of the central banks was perfect, dealers say. Financial institutions and corporate treasurers who play the foreign exchange market have just closed their books for 1987 and locked in the profits made that year speculating on the dollar's decline. Positions opened in mid-December, selling dollars at, say, 1.67

Deutsche marks or 133 yen, would have ended the year showing a profit of about 6 percent with the dollar at 1.57 DM and about 9 percent with the dollar at 121 yen. Official attempts to push up the dollar before the start of the new year might well have been unsuccessful. A modest rise in the dollar late last year would only have narrowed the gap.

But the official added that private appeals to Israel through diplomatic channels had continued in an effort to head off the planned deportation of some Palestinians from the Israeli-occupied West Bank and the Gaza Strip. U.S. officials have reportedly cited both legal and humane concerns in their approaches to Israel. Officials said the administration had called the Israeli's attention to Article 49 of the 1949 Geneva Convention, which states: "Individual or mass forcible transfers, as well as deportations of protected persons from occupied territory to the territory of the Occupying Power or to that of any other country, occupied or not, are prohibited, regardless of their motive."

Israeli patrols also are fighting a 'war of the eyes'. Page 2. Israelis say they are outraged by statements from a senior British official. Page 2.

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The Israeli authorities have ordered the deportation of nine Palestinian Arabs, who have been given one month to appeal to Israeli courts. The deportations orders came after two weeks of clashes last month between Palestinians, many of whom threw stones and gasoline bombs, and Israeli soldiers, who fired into crowds, killing at least 23 Arabs.

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holding out for a lower rate while the dollar edges upward means running up paper losses that could get bigger if the currency continues to climb. But deciding to close out an exposed position — in other words, buying dollars that had previously been sold — means taking an actual loss.



How Did He Get Into the Elysee Palace Without a Tie? France and Iran broke diplomatic ties in July, but Gholam Reza Haddadi, the chargé d'affaires of Iran, bearded, was there nonetheless as President François Mitterrand greeted diplomats at the Elysee Palace in Paris. Mr. Haddadi had been invited to a New Year's reception in what Foreign Minister Jean-Bernard Raimond described Tuesday as an "unfortunate and ridiculous" error by the president's office. But at the Elysee Palace, fingers were pointing at the Foreign Ministry. Whoever invited him, Mr. Haddadi listened from the rear of the room as the French president denounced hostage-takers and nations that support them.

Kiosk Pope Schedules Visit to Austria

VATICAN CITY (Reuters) — Pope John Paul II will make a visit to Austria in June during which he will meet Jews who protested against his audience at the Vatican last year. Vatican radio said Tuesday the four-day trip will begin June 23. It said the pope, who first visited Austria as pontiff in 1983, would meet Austrian Jews in the Vatican's Vienna nunciature, or mission. Jews protested strongly last June when the pope received Mr. Waldheim with full honors. The visit broke the international diplomatic isolation of the Austrian president, whom Jewish groups have accused of involvement in Nazi war crimes when he was an officer in the German Army during World War II.

Saudis Rescind Plan For Taxing Foreigners

By Youssef Ibrahim
New York Times Service
 PARIS — A tidal wave of protests from expatriates and Saudi businessmen pushed the government of Saudi Arabia on Tuesday to rescind a sweeping income tax package on foreign workers and companies that was instituted by royal decree a few days ago. The abrupt turnaround was announced by the official Saudi Press Agency, which said the move was taken "in the light of what was shown to need revision regarding the imposition of personal income tax on foreigners." A senior Saudi official who asked not to be identified said "there were too many complaints from foreigners and Saudis who employ them."

But Saudi officials and sources said it also stressed King Fahd's style of government, which aims at consensus in governing and abhors controversial decisions. Objections to the reintroduction of massive income taxes, which were canceled in 1975, drew a loud outcry from the influential Saudi business community, as well as tens of thousands of foreigners from the community of about one million expatriates that live in Saudi Arabia, Saudi sources said. Days after the royal decree became public on Dec. 2, protests and "massive threats of resignations" started pouring into companies employing foreigners. Among other things, the new income tax would reduce foreign workers' income from 5 percent to 30 percent and cut foreign companies' income by 25 percent to 45 percent, starting Jan. 21. Even though Saudis were exempt

prices and revenues against built-up domestic expectations of uninterrupted economic growth and social improvements. The abrupt turnaround was announced by the official Saudi Press Agency, which said the move was taken "in the light of what was shown to need revision regarding the imposition of personal income tax on foreigners." A senior Saudi official who asked not to be identified said "there were too many complaints from foreigners and Saudis who employ them."

Some dealers in New York said that the Fed may even have bought dollars at the level of 1.625 DM, and traders in Frankfurt also said they detected Fed intervention at that level. "The Fed came in, but not particularly aggressively," said a dealer at a major U.S. bank. "The market doesn't have a clear view right now, it's easily persuaded."

Yet the U.S. central bank's intervention Monday and Tuesday was viewed as a crucial signal. Investors have been unconvinced that the United States really wants to prop up the dollar. A weak currency would be a boon to American manufacturers seeking to boost overseas sales and help reduce the massive U.S. trade deficit. "The central banks really took the market by surprise," said the chief spot dealer of a large U.S. bank in Frankfurt. A senior trader at another American bank said, "If their aim was to unsettle the markets, it really worked."



Abbas Ali Hamadeh denied kidnapping accusations on the first day of his trial in Düsseldorf. Page 2.

Gorbachev Dazzles East Bloc

By Henry Kamm
New York Times Service
 BUDAPEST — In Eastern Europe, where for four decades the leader of the Soviet Union has represented to millions the main source of their discontent, Mikhail S. Gorbachev has wrought an astonishing transformation. For the first time, a Soviet leader is now seen as the inspiration for a better life in the six countries that must follow the Soviet lead. "When I heard that he had not been seen for some weeks, I felt I was losing hope," said a woman in Prague, referring to a period last September when Mr. Gorbachev, the Soviet Communist Party leader, spent more time on vacation than he did in office. Rumors spread suggesting he was ill. The comment in itself was not surprising: expressions of admiration for Mr. Gorbachev have become as commonplace in Czechoslovakia, Poland, Hungary, East Germany, Bulgaria and Romania as expressions of dislike were for his predecessors. But it came from a

But at Home, a Stiff Critique

By Bill Keller
New York Times Service
 MOSCOW — A member of Mikhail S. Gorbachev's economic brain trust published an unusually strong critique of the country's latest economic reforms on Tuesday, saying the measures introduced throughout most of Soviet industry just four days ago were "a fiction." Gavril K. Popov, professor of economics at Moscow State University and a longtime advocate of far-reaching economic change, wrote in the newspaper Sovetskaya Kultura that factory managers and workers who are now supposed to run their own businesses will actually be hamstringing by central controls that remain in place. Mr. Popov's article is the most pessimistic statement in the Soviet press of misgivings that are believed to be widely shared among senior economic advisers to Mr. Gorbachev, the Soviet leader. The newspaper is affiliated with the Central Committee of the Communist Party. The critique indicates that deep divisions continue among top government

How Did He Get Into the Elysee Palace Without a Tie?

France and Iran broke diplomatic ties in July, but Gholam Reza Haddadi, the chargé d'affaires of Iran, bearded, was there nonetheless as President François Mitterrand greeted diplomats at the Elysee Palace in Paris. Mr. Haddadi had been invited to a New Year's reception in what Foreign Minister Jean-Bernard Raimond described Tuesday as an "unfortunate and ridiculous" error by the president's office. But at the Elysee Palace, fingers were pointing at the Foreign Ministry. Whoever invited him, Mr. Haddadi listened from the rear of the room as the French president denounced hostage-takers and nations that support them.

But at Home, a Stiff Critique

officials over the pace of economic change, even as the changes are being put in place. Mr. Popov is as adviser to the government commission assigned to chart the course of economic change. He is known to be close to Mr. Gorbachev's chief economic architect, Abel G. Aganbegyan, and is the author of some of the most daring proposals for economic change. Mr. Popov's article is only one of several skeptical reports in recent days questioning major elements of the new system, which in pre-Gorbachev days would have been introduced in an orchestrated hail of optimism. One article Tuesday, in the government newspaper Izvestia, recounted the frustration of a foreman on a cotton farm who scrambled to increase his income last year when his farm was switched early to the new system of higher pay for more work. He earned a remarkable 23,000 rubles (about \$39,000 at the official exchange rate), more than 10 times the average wage, but he found he could not build a

Dow Close	16.25
The Dollar in New York	1.631
DM	1.625
Yen	127.80
FF	5.519

person no one suspects of being pro-Soviet. She was Anna Sabatova, a leading figure of Charter 77, the core of dissent in Czechoslovakia. She served three years in prison for opposition activities. Third of a series. her husband five years and her father six. Charter 77 is a reminder of the experiment in Communist liberalization in Czechoslovakia led by Alexander Dubcek. The experiment was crushed by the Soviet-led invasion of 1968. A joke circulating in the Soviet Union and Eastern Europe since Mr. Gorbachev began pressing for change in the Soviet Union under the catch words glasnost and perestroika — openness and restructuring — harks back to the events in Czechoslovakia 20 years ago. The joke runs like this: "What's the difference between Gorbachev and Dubcek? None, except Gorbachev doesn't know it yet." While jokes like this have some currency in Eastern Europe and the Soviet

Union, East Europeans are nearly unanimous on the question of whether Mr. Gorbachev wants the rest of the Soviet camp to strive for changes like those taking place in the Soviet Union. They say they hope he does not oppose change in the six Warsaw Pact countries. But they seem to believe that, given a choice between risking upheaval by pursuing change or maintaining stability in Eastern Europe, he would choose stability. Perhaps nothing confirmed these pessimistic views more than the first East European leadership change since Mr. Gorbachev became the Soviet leader nearly three years ago. On Dec. 17, Milos Jakes replaced Gustav Husak as leader of the Czechoslovak Communist Party. The action made reality of the worst fears of some change-minded East Europeans. "The man who succeeded Husak is even worse," Ota Sik, a former Czechoslovak official, said in a radio interview from Switzerland. Until the Soviet-led

better house or buy superior goods because such items are rationed by the government. "Why should I, working 5 times, 10 times better than many people, why should I live like everyone else?" the foreman asked. "Why make the effort?" Another report Tuesday from the industrial center of Sverdlovsk in the Ural mountains said that factories that introduced the new system experimentally a year ago are now lagging behind in meeting their production quotas. Among them was an important machine-building complex, the largest in the country. The new system, which spread Jan. 1 to enterprises producing 60 percent of Soviet industrial output, is intended to relax the grip of central planners in Moscow and give local managers autonomy over production, buying and selling, and spending of their profits. But Yuri V. Petrov, the Communist Party leader of the Sverdlovsk region, told a reporter for the party newspaper Pravda that the 600 factories working on

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Soviet Penal Code Called Real Test in Psychiatric Reform

By Barry James

International Herald Tribune
The head of the World Psychiatric Association said Tuesday that the Soviet decision to remove criminal asylums from police control appears to be a liberalizing move but that real reform depends on a revision of the penal code.

Fini Schulzinger of Denmark said he is looking to the elimination of penal code clauses under which dissidents allegedly have been confined with mentally ill criminals and treated with psychotropic drugs. He said Soviet contacts have told him such a revision is planned.

Mr. Schulzinger, secretary-general of the association, said the Soviet decision to place "special" hospitals for the criminally insane under the general health care system rather than the Interior Ministry could result in a general improvement of conditions.

The decision was part of a new law, announced Monday, which the Soviet Union said is designed to curb psychiatric abuses by protecting patients against arbitrary commitment and providing them with legal recourse.

The Soviet Union withdrew from the World Psychiatric Association in 1983 rather than face probable expulsion as a result of allegations that the special hospitals were widely used to confine and torture political and religious dissidents.

Mr. Schulzinger said in a telephone interview from Copenhagen that he has kept in contact with Soviet colleagues, and that he was told last November about plans to change the status of the hospitals.

He said it may mean that the institutions will be considered to be more like hospitals than prisons. "It may mean an improvement in conditions for the majority of detainees in these hospitals," he said.

"Most of them are ordinary criminals who happen to be psychiatrically ill," Mr. Schulzinger added that all allegations about the political abuse of psychiatry concerned the special hospitals rather than ordinary mental institutions, where, he said, safeguards against wrongful commitment of patients are in theory stricter than in the West.

"The basic problem is the definition of what constitutes a mental illness," he said. "We know that several people have been sentenced to stay in special psychiatric hospitals because they violated certain provisions of the penal code," such as slandering the state and criticizing the political system.

Mr. Schulzinger said removal of these provisions would be "a major step forward" that would ease the Soviet Union's return to the association.

Criminal Code Amended
Celestine Bohlen of the Washington Post reported earlier from Moscow.

Tass said that the main criminal code has been amended to make the "illegal commitment of a patient to a mental hospital a criminal offense." The amendments specify procedures for committing mental patients who have committed "socially dangerous offenses."

The changes, if enforced, would represent a step toward abolishing practices that have long been condemned by human rights activists and professional psychiatrists in the West. Political dissidents in the Soviet Union frequently have been placed in psychiatric wards in order to stifle their protests.

Despite a Kremlin pardon last year that released an estimated 180 political prisoners from jails and labor camps, activists contend that a number remain in psychiatric clinics.

After denying the problem for years, Soviet officials and publications recently have begun to acknowledge that psychiatric treatment here is heavily weighted against the rights of the individual.

The youth newspaper Komsomolskaya Pravda described in November a 20-year-old factory worker in Leningrad who was committed to a mental hospital against her will for criticizing her boss and working conditions.

According to Tass, the law adopted by the Presidium of the Supreme Soviet, or legislature, provides legal guarantees for mental patients, prescribes admission procedures and defines emergency treatment.

Under the law, mental patients who have committed dangerous offenses should be treated in mental hospitals of the health services, thus clearly defining their care as the responsibility of doctors, rather than policemen.

The law also states that those who appeal commitment decisions, which are made by chief psychiatrists, will be guaranteed legal aid. The state prosecutor is charged with monitoring compliance with the new statute, Tass said.

As with other changes to the Soviet criminal code now under consideration, the impact will depend on how they are enforced. Rights activists in the past have cautioned against overly optimistic reactions to legal changes, noting that Soviet law enforcement agencies often ignore the law.

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LADIES' CHOICE — Massai women dancers waving Union Jacks as they greeted Prime Minister Margaret Thatcher of Britain on Tuesday in Nairobi during the first day of her three-day official visit to Kenya. At an official banquet, she con-

demned South African apartheid but avoided mentioning the possibility of sanctions, which are supported by many African leaders, including the Kenyan president, Daniel arap Moi. Mrs. Thatcher and her husband, Denis, travel next to Nigeria.

Israelis and Arabs Fight a 'War of Eyes'

By Thomas L. Friedman

New York Times Service

NABLUS, Israeli-Occupied West Bank — Leading an Israeli patrol through the streets of the Balata refugee center, Lieutenant Colonel Yisrael explained that on most days the confrontation here is not a war of stones or bottles or bullets.

Most days, he said, it is a battle of eyes — Israeli eyes against Palestinian eyes, looks meant to kill against looks meant to intimidate, eyes begging for a little friendship meeting eyes round with fear.

Colonel Yisrael — army regulations prevent the printing of last names — and his men have become experts in what they call "the war of the eyes." For the last month their elite paratroop battalion has been patrolling the West Bank town of Nablus and helping to quell disturbances in nearby Palestinian refugee districts.

"You know," Colonel Yisrael said, "a soldier wakes up in the morning here, and the sky is clear, and it is a fine day, and he just wants to smile. And we tell him, 'Fine, go ahead and smile.' And then he goes out onto the street, and he looks into people's eyes. It is all in the eyes. And what he sees usually does not make him want to smile anymore."

The 31-year-old Israeli officer was speaking as he and his well-armed men walked down the main street of Balata. From one side of the road a Palestinian with a lathered beard leaned up from his barber's chair to watch them pass. Across the street, a mother and four little children squeezed into a doorway and eyed the soldiers' every step. At the butcher shop, the vegetable stand and the bakery, Palestinians peered out from behind a carcass of meat or a mound of pita bread and just stared.

Colonel Yisrael has all the looks figured out. The most piercing and chilling come from the Palestinian teenagers, the hard-core rock and bottle throwers, he said.

"If their eyes show hatred — no doubt," he said. "And it is a deep hatred. All the things they cannot say and all the things they feel inside of them, they put into their eyes and in how they look at you. You feel a hatred from them, but not just to you but to the whole world. You could be an American or a Russian. You can't break through it, even if you smile. It is just plain hatred."

"They are not afraid to look right at you," he added as a group of boys did just that. "Sometimes you pass a school, and stone-throwing kids come out, and you give them a daring, intimidating look. They stare right back at you, and they give you the feeling that they have self-confidence."

But with their parents, the storekeepers and intellectuals, the barbers and bakers, the looks are different, Colonel Yisrael said.

"You feel you can negotiate with their eyes," he explained. "Their eyes say that you can even shake my hand."

With the Palestinian boys who follow him down the street, the Israeli officer said, there is a combination of fear and jealousy.

The colonel and his soldiers all agree that the most interesting looks are from the Arab girls, who pass the Israeli soldiers each day as they go back and forth to school.

"Sometimes they smile at me," said Lieutenant Eldad, a 23-year-old member of Colonel Yisrael's unit. "And I even think that they want to say something. They want us. They are very interested. They tease you. But they are embarrassed."

For all the talk about some Israeli soldiers' not being willing to serve in the occupied territories any more, such resistors are in the great minority. The majority are young men like Colonel Yisrael's — clean-cut soldiers who follow orders and try to make sense out of the situation later.

Nose has in the territories with stares alone. But despite their often being embroiled in violent clashes with the Palestinians, the soldiers do not view themselves as occupiers. They view themselves essentially as police officers trying to preserve order against a few Palestinian agitators who want to stir up a population that is basically ready to live with the status quo.



Palestinian women in the Jabalya refugee camp in Gaza confronting an Israeli soldier.

Israelis Defuse Row With Briton

Reuters

JERUSALEM — Israeli officials voiced outrage on Tuesday at the scolding of an officer by the British Foreign Office minister, David Mellor, in the occupied Gaza Strip but later moved to defuse the row.

Mr. Mellor said that conditions at Jabalya refugee camp were "an affront to civilized values" on Monday and berated an Israeli lieutenant colonel after a resident said his 14-year-old son had been mistakenly arrested with other youths for throwing stones.

"If friends of Israel, like Great Britain, or Prime Minister Margaret Thatcher, who is a friend of Israel, want to help, they should convince Israel's neighbors to enter into direct talks with us," a spokesman for Prime Minister Yitzhak Shamir's office said.

Mr. Shamir and Mr. Mellor ignored the scolding incident when they met on Tuesday. Israeli officials said they did not want to jeopardize good relations with Britain over it.

The statement from Mr. Shamir's office said the meeting focused on ways to advance the Middle East peace process. Mr. Mellor avoided reporters.

DUSSELDORF — Abbas Ali Hamadeh, a Lebanese-born citizen of West Germany, denied Tuesday at the opening of his trial any involvement in the kidnapping of two West Germans in Beirut. And he appealed for the release of the West German still being held hostage.

Mr. Hamadeh, 29, is accused of taking part in the kidnapping a year ago of two businessmen, Rudolf Cordes and Alfred Schmidt, and of trying to force the release of his brother, a hijacking suspect also detained in West Germany.

His lawyer, Eckhard Hild, told the judge: "Although he directly, or indirectly, rejects the charges, he appeals to the kidnappers to release Cordes."

Mr. Schmidt was freed in September after West Germany made numerous appeals to Iran and Syria for their help in securing his release.

A radical Shiite group holding Mr. Cordes warned Monday night in Beirut that the West German authorities should be "careful in what they do" with Mr. Hamadeh or face the consequences.

If convicted, he could be imprisoned for up to 15 years.

He said that would give a press conference Wednesday.

Trade Minister Ariel Sharon said Mr. Mellor's remarks denoted "a man who maybe doesn't remember Great Britain doesn't rule this country any more." Britain ruled Palestine until the United Nations cancelled its mandate 40 years ago.

Yossi Beilin, a senior aide to Foreign Minister Shimon Peres, said Mr. Mellor's remarks: "I believe he is pointing at a problem that is a real problem. We cannot ignore it and I believe that all of us should do our best to find a solution for the Palestinian problem and to launch the peace process in our area."

President Chaim Herzog said Mr. Mellor was right in pointing out bad conditions in Gaza but added that international attitudes to the issue were marked by cynicism and hypocrisy. An aide said Mr. Herzog was not leveling accusations against Mr. Mellor himself.

In an interview later on Israeli television, Mr. Mellor said: "There is a deep friendship between Britain and Israel and a friend owes another friend their genuine judgment. It is no good anyone deluding themselves that what I am saying is out of line with the British government's view."

Defendant Denies Beirut Abduction

Reuters

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His brother, Mohammed Ali Hamadeh, is to stand trial for hijacking a Trans World Airlines plane in 1985 and murdering an American passenger.

Mohammed Ali Hamadeh was arrested at the Frankfurt airport shortly before Mr. Cordes and Mr. Schmidt were taken hostage. In June, Bonn refused a U.S. request to extradite him.

West German officials said the decision not to extradite was made partly out of concern for the safety of the hostages, but they assured Washington that he would be charged with air piracy and murder.

No Expansion of U.S. Role in Gulf, Carlucci Says

By Patrick Tyler

Washington Post Service

KUWAIT — Defense Secretary Frank C. Carlucci, on his first tour of the Gulf since taking office, said the United States would not become the policeman of the high seas for international shipping, which has suffered its worst month of attacks in the "tanker war" between Iran and Iraq.

After a day of meetings with the leaders of this northern Gulf sheikdom that last summer put 11 of its oil tankers under the U.S. flag for protection from hostile Iranian speedboat forces, Mr. Carlucci indicated that he intends to keep the U.S. military mission in the strategic waterway limited in scope, despite calls from shipping executives and Arab leaders seeking to quell

the surge of Iranian gunboat attacks, particularly near the Strait of Hormuz.

"On a self-described mission to 'learn' about the U.S. escort operation from Arab leaders and from U.S. Navy commanders, Mr. Carlucci said that the U.S. ambassador's residence here, "If there are some changes that need to be made, I will make them, or make the appropriate recommendation to the president, but I have no changes in mind at this point."

Responding to criticism by shipping industry officials that non-U.S. flag oil tankers have been the target of an increasing number of attacks, making the large U.S. and Western naval presence appear irrelevant, Mr. Carlucci said, "If other nations want to put their ships

under the American flag, they are entitled to the same protection."

"We are not policing every area of the high seas for every country," Mr. Carlucci continued. "That is not an appropriate role for the United States — we have no apologies to make to anyone."

On the first leg of a tour that will take him Wednesday to Bahrain, then to Oman and Saudi Arabia, Mr. Carlucci characterized the re-flagging and escort operation as a success with the exception of what he termed the "minor incident" on the first convoy. In July, the Kuwaiti reflagged super-tanker Bridgeport struck a mine that tore a gaping hole in its hull and put it in drydock for more than a month.

Since that initial convoy, the U.S. Navy has conducted 22 escort

WORLD BRIEFS

Court Says Gandhi Foe Abused Office

NEW DELHI (NYT) — An Indian court has found that a leading political opponent of Prime Minister Rajiv Gandhi misused his office to benefit his relatives.

The High Court of Andhra Pradesh found that Nadamuri Taraka Rama Rao, the chief minister of that southern state, had "abused his official position" at least five times to help close family members make profitable business deals. Mr. Rao won a large political following by asserting that Mr. Gandhi's Congress (I) Party encouraged corruption. Aides of Mr. Gandhi demanded that Mr. Rao resign and call statewide elections. A spokesman said Mr. Rao, 64, was not considering resigning. He can appeal the ruling in the Supreme Court.

India Leases a Nuclear Submarine

MOSCOW (Reuters) — The Soviet Union has leased a nuclear-powered submarine to India for use in training, the Tass news agency said Tuesday. The submarine has no nuclear arms on board, Tass said.

In New Delhi, All India Radio said the submarine was handed over Tuesday at the Soviet Pacific port of Vladivostok. The agreement makes India the second Asian nation after China with nuclear-powered warships in its fleet.

Neither the Indian broadcast nor the Tass report specified what class of submarine was involved, but the Press Trust of India, citing a recent article in Jane's Defence Weekly, said the submarine could be either a "Victor" or "Sierra" class vessel. Both can carry torpedoes and anti-submarine missiles, the Indian news agency said. In its Dec. 31 issue, the national weekly India Today said India planned to lease four to six nuclear submarines, probably of the Victor class, according to unidentified experts quoted by the magazine.

Oslo Sets Conditions for N-Free Zone

OSLO (Reuters) — The establishment of a nuclear-free zone in the Nordic region could help curb East-West tensions, Prime Minister Gjo Harlem Brundtland of Norway said Tuesday.

"But this is dependent on the condition that it means a real build-down of tensions and arms and that it is a balanced picture," she said. "We certainly think that a Nordic nuclear-free zone could be part of a broader East-West European agreement picture."

Mrs. Brundtland said that officials from the Nordic nations were trying to establish a joint position on the issue. She added that the matter would have to be negotiated by NATO and Warsaw Pact leaders.

5 on Trial Admit Karachi Hijacking

ADIYALA, Pakistan (AP) — Five Palestinians on trial for the 1986 hijacking of a Pan Am jetliner admitted Tuesday for the first time that they had commandeered the plane, but they blamed Pakistani commandos for killing 21 passengers.

The admission was made in a joint statement read by their lawyer in court. In addition to those killed, more than 100 people were wounded in the hijacking, in which four Palestinians held about 400 passengers hostage for 17 hours at the Karachi airport. A fifth Palestinian is accused of planning the crime. The flight, from Bombay to New York, was hijacked Sept. 5, 1986.

"We came to Pakistan to hijack an American airplane to instantly draw the whole world's attention towards Palestine, which is bleeding," said the joint statement, read in English by a Pakistani lawyer. The trial began last summer at Adiyala Central Prison, 30 miles (about 50 kilometers) southwest of Islamabad.

Test of U.S. Stealth Bomber Delayed

LOS ANGELES (AP) — Northrop Corp. has postponed the first scheduled flight of the secret Stealth bomber for four months, a delay that could cost the U.S. government up to \$300 million or more, the Los Angeles Times reported Tuesday.

Citing reports from two Northrop employees involved in the program and from Wall Street securities analysts, the newspaper said the bomber's first test flight, which was scheduled for April, has been delayed until August.

The air force would not comment, and Northrop sources declined to discuss the delay, which apparently involves matters that are classified, the newspaper said. The delay raises serious questions about the status of the program, which accounts for more than half of Northrop's revenues.

Warsaw Offers to Talk to Solidarity

WARSAW (UPI) — The government offered Tuesday for the first time to conduct talks with leaders of the outlawed Solidarity union if they will stop "hurting mud" at the authorities and sever contacts with foreign financing sources.

The Solidarity leader, Lech Walesa, described the offer as the most serious since 1981, when the union was suppressed by the imposition of martial law, and added, "We are ready for dialogue."

"The economic reforms create a broad plank for a dialogue," said the government spokesman, Jerzy Urban, who assured union leaders they would not have to "lose their identity, tradition nor sentiments" if they supported the changes. It was the first mention of Solidarity as a possible partner in a government effort to put into effect an economic austerity program that is expected to produce at least 30 percent inflation in 1988.

For the Record

A 12-hour siege in a Western Australia prison ended Tuesday when inmates freed five guards taken as hostages at the Fremantle prison outside Perth. About 130 prisoners had rioted. (AP)

TRAVEL UPDATE

Spain Rail Workers to Strike Friday

MADRID (AP) — Spanish rail employees have decided to go ahead with a strike Friday after the Transportation Ministry blocked a preliminary agreement between the state railroad and unions to hire new workers, union spokesmen said Tuesday.

The spokesmen said talks broke off Tuesday after the ministry prohibited rail officials from agreeing to hire new workers to replace 3,500 who have taken early retirement. The Spanish news agency EFE reported that the two unions representing 52,000 rail employees had disagreed earlier over the company's preliminary compromise to hire 750 workers. The state railroad, the largest employer in Spain, announced Dec. 30 that it lost 190.7 billion pesetas (\$1.7 billion) last year.

West German motorists will have to carry disposable plastic gloves in case they are called upon to help AIDS sufferers in traffic accidents, the Transport Ministry said Tuesday. From Oct. 1, first-aid boxes compulsory in all West-German registered vehicles will have to contain two pairs of such gloves. (Reuters)

Northwest Airlines resumed some of its flights to and from Seoul on Tuesday, nearly four months after suspending all such flights because of strike action by its South Korean staff. (Reuters)

French unions representing pilots and engineers in a dispute with the domestic airline Air Inter threatened Tuesday to hold strikes from next Monday until Friday. They have been in conflict with the company for more than a year over manning levels for the new Airbus A-320. (AFP)

Correction

A world stock market story in Monday's editions misstated the change in the Financial Times index of 30 major London shares between Dec. 31, 1986, and Dec. 31, 1987. The index posted a 4.6-percent gain for the period.

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Arbitrary Expulsions

An army occupying foreign territory should not be expelling residents without due process, as Israel is doing in the West Bank and Gaza. A relatively small number of people — nine — are affected, and all appear to be veterans of the resistance, including the armed resistance, against Israeli occupation. Meanwhile, other Palestinians among the nearly 1,000 detained in the latest cycle are being freed. But it appears that none of the nine facing expulsion had been specifically linked to the December riots. Evidently this was thought to be a good time to get rid of some hard cases and to set an example for others. The nine were arrested uncharged and are to be thrown out of their homes and out of the place where their families have lived perhaps for generations; they may appeal — under a process in which no previous appeal has succeeded.

Expulsions of Palestinians are a familiar tool of Israeli occupation policy and, not alone and not for the first time, the American government is protesting. It says that expulsions make things worse and cut across Israel's Geneva obligations to protect the rights of civilians in occupied areas. Israeli officials respond stiffly that Israel will itself decide and do what its security requires. That is a

popular line in Israel, especially when foreign friends challenge the undemocratic measures it takes in the name of protecting its democracy. But it is a bankrupt line. Expulsions take place under an emergency code that Israelis inherited from the British, and detested when the British used it against them, and that they retain so as to avoid having to soil their own body of law with an emergency code. This fools no one and draws Israel deep into the corruptions of military — that is, arbitrary — rule.

Some people, including foreigners, think Israel has no choice: that it is defending itself against a real threat and with steps quite mild when measured against the relentlessness of the foe and Arab practice in the region. This is a debater's answer in a context where statesmanship is the need. Israel's foes are relentless. But Israel is relentless. It keeps saying it has no next Arab partner for peace, but it does not do its share to draw out such a partner. The "peace" for which its current leadership calls comes across as Arab acceptance of permanent Israeli control of the occupied territories. That way lie more riots and shootings, more detentions and expulsions, more tragedy.

— THE WASHINGTON POST.

A Test of Spanish Wit

Washington is unhappy about Spain's insistence on pulling out U.S. warplanes under a base agreement runs its course about three years hence. True enough, the Socialist prime minister, Felipe Gonzalez, promised in 1986 to cut back U.S. forces if Spain voted to remain in NATO, which it did. What is causing the agony is the nature of the reduction — three squadrons of F-16s to be removed from Torroñán, near Madrid.

The problem is there is no visible alternate base for these fighters, and they are more important than ever to NATO defense because of the reductions called for by the new Euro-missile treaty.

It is proper for Mr. Gonzalez to negotiate U.S. reductions, although the terms of the 1986 referendum did not require removal of the F-16s. But the Euro-missile treaty, supported by Spain, is a new factor. It offers a chance for Spain to rethink its position in light of larger NATO interests.

Vernon Walters, chief U.S. delegate to the United Nations, evidently felt it necessary to warn that if Spain persisted in its demands, Americans would not forget "an unfriendly gesture." That is the wrong language for this dispute. Spain is not a banana republic. Mr. Walters may discount too readily how General Franco flattered those bases as proof of American support for his dictatorship.

When the initial deal was struck, it was

denounced by underground and exiled democrats. Salvador de Madariaga, the scholar and diplomat, spoke for them in a 1953 letter to The New York Times warning that "Spain, when free, may repudiate agreements signed when she was gagged."

Mr. Gonzalez's gesture is a reminder that people, not dictators, are the ultimate land-owners of these overseas bases. In Spain's case, an elected government was able to win public approval of NATO only by promising to stay outside NATO's military command and to cut back on several thousand U.S. troops stationed at Torroñán and the Sixth Fleet base at Rota, whose use is not in dispute.

Where Spain can be faulted is in its failure to take account of NATO's wider stake in maintaining a conventional force balance with the Warsaw Pact as medium-range missiles are phased out. Mr. Gonzalez could have agreed to moving the F-16s from Torroñán to bases further south, but even that has so far been ruled out. Nor has Spain offered a cooperative arrangement whereby the F-16s it is acquiring could carry out NATO missions now assigned to the F-16s.

It is surely not beyond Mr. Gonzalez's wit to honor his promises without weakening the alliance. The renewal deadline falls in May. That gives Washington time to cool down, and Madrid the chance to think again.

— THE NEW YORK TIMES.

Letting Panama Down

The United States has set up a siege of Panama, with Congress strengthening the sanctions that the Reagan administration imposed last summer. This is a rare case where U.S. conservatives and liberals alike find it compelling and feasible to put pressure on a repressive, corrupt military regime. The sanctions entail an aid cutoff, elimination of the sugar quota and mandatory votes against development loans, and are perhaps the stiffest that Washington has placed against any ostensibly friendly country.

But General Manuel Noriega, the resident strongman, hangs on. He does it by mobilizing the anti-Americanism that is part of Panama's long, close tie with the United States. He milks the relatively advanced economy that has made Panama an exception in the general Central American bleakness. Most of all, he leans on the interest of the Panama Defense Forces, which he commands, in perpetuating their privilege. This is how he tries to defy not only the wishes of Washington but the desires of the majority of the Panamanians.

Over time, one has to hope, the will of the Panamanians will prevail, peacefully. Meanwhile, there is another kind of leverage that should be applied. It is the influence of other Latin democracies, especially those recently returned to democracy. They "should not forget," writes Panamanian opposition leader Ricardo Arias Calderón, "that they demanded and obtained international solidarity in their efforts to establish democracy and to consolidate it. Reasons of state or unwillingness to parallel U.S. policy do not excuse renegades or indifference when human rights and democracy are at stake."

Yet the Contadora Latin, setting themselves up as a permanent Latin caucus, has just allowed Panama's puppet president to sign their butchery appeal for "peace, development and democracy." Military-ruled Panama is to sit on the verification commission set up to oversee Central America's advance toward peace and democracy. The Latin democracies, by treating an ugly military regime as their equal, betray Panama.

— THE WASHINGTON POST.

A Radioactive Present

For Christmas, Congress gave Nevada an expensive present — the federal repository for highly radioactive waste, to be tunneled out of Yucca Mountain. The gift comes with a special evergreen greeting: \$20 million, every year. Yet the governor of Nevada, Richard Bryan, does not sound grateful. He calls it a "legislative atrocity."

It is something of an atrocity, but a solution of sorts to a festering problem. Washington and the nuclear industry have struggled for years over where to dump spent fuel from nuclear reactors. The waste is intensely radioactive and must be isolated for 10,000 years. Bright ideas include shooting it into space, dumping it in ocean trenches or letting it melt through the Antarctic ice cap. Deep burial on land remains the safest option.

Since no state volunteered to play host, Congress in 1982 told the Department of Energy to start building a site in the West, which is less populated, and to prepare for a site in the East, which produces more waste. In 1986, Secretary of Energy John H. H. Herrington suspended the search for an Eastern site. That quieted the howls going up from Georgia to Maine, but Western states cried foul and the game had to be abandoned.

Senator Bennett Johnston of Louisiana then devised a new game, while taking care to fix the result. Instead of making full geological studies of several sites, at \$2 billion a

site, the Department of Energy should choose just one. The three leading candidates from the 1982 search, selected for political as much as technical reasons, were in Washington, Texas and Nevada. Fine, said the Senate. The proposal then went to the House, whose speaker comes from Texas and whose majority leader comes from Washington. The lucky winner was — you guessed it — Nevada.

Yucca Mountain may be a good site: a repository dug 1,000 feet (3,000 meters) below its summit would still be above the water table. But it is in a seismic region, and the blasts from the neighboring nuclear power plant site may also fracture the rock. If future surveys prove it unsuitable, Congress has left no way for finding a fallback, and has imprudently put off plans for a temporary backup, the Monitored Retrievable Storage facility, until the permanent repository is under way.

Every state with a nuclear reactor now is host to a nuclear waste dump, because reactors have to store their spent fuel elements on site. Failure at Yucca Mountain would put the repository search back to square one. But Congress's big gamble on Nevada was forced when Mr. Herrington kicked over the table in the last round. In a Congress that has achieved little, Senator Johnston deserves credit for leading the way to a hard decision, even though one with little margin for error.

— THE NEW YORK TIMES.

Caution: Go Slow in Ratifying the Treaty

By Eugene V. Rostow

WASHINGTON — The treaty limiting intermediate-range nuclear forces has been welcomed in the West as a small step that may have constructive results, depending upon the next step in the nuclear arms control negotiations.

Both in America and abroad, however, there is a strong dissenting view that sees the treaty as a new Munich — the beginning of an American retreat to isolationism under the implicit threat of Moscow's growing nuclear and conventional force superiority and its increasing advantage in space activities. But most of the dissenters would agree that what happens next will determine whether the danger they rightly perceive as a cloud will become a storm.

What happens next will be decided primarily by the direction of Soviet policy and, to a lesser extent, by the skill, energy, prudence and imagination of Western diplomacy.

Three hypotheses purport to explain what Moscow is up to. The first is that we are witnessing the dawn of a new day for Soviet domestic and foreign policy. We are told that Mikhail Gorbachev is a "Westerner" in the liberal Russian tradition and that his true ambition is to restore the Soviet Union to the community of European civilization.

The second theory is that Mr. Gorbachev is not a "Westerner" in the Russian sense but an "Easterner," indeed a Slavophile, an autocrat and a believer in Russia as a closed garrison state. Hence, his highly touted reforms, like Lenin's New Economic Policy in the 1920s, are designed only to gain a breathing spell, a period of harnessing the energies of individualism and of the market to prepare another great leap forward. Mr. Gorbachev sometimes explains his policy by invoking the memory both of NEP and of the Brezhnev-Litovsk Treaty of 1918, Russia's separate peace with Germany — two most striking metaphors.

The third hypothesis is that, on matter whether Mr. Gorbachev is an "Easterner" or a "Westerner," the INF agreement is a trick to detach intercontinental nuclear weapons and defensive systems. Together, such agreements could help to stabilize the nuclear equation. However, if the Soviet Union stalls the negotiations to reduce stra-

tegic nuclear weapons and tries to preserve its present lead in long-range offensive weapons, in space activities and especially in defensive systems, the INF pact could be a trap for the West. In those circumstances, the treaty could become a powerful catalyst encouraging some in Western Europe, China and Japan to support policies of neutralism and accommodation, and others to support policies of militarism based on nuclear as well as conventional arms. The catastrophic impact of such divisive developments on the prospects for world peace are self-evident.

Since Mr. Gorbachev returned to Moscow from Washington early in December, he has publicly warned

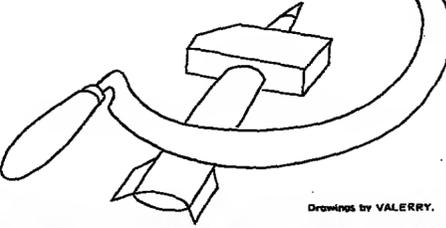
that an agreement on longer-range offensive weapons is by no means assured. He and other Soviet spokesmen have made clear that the Soviet Union is still determined to kill the U.S. Strategic Defense Initiative program, thus retaining the Soviet Union's present monopoly in the field. They have crudely sought to temper the effect of their warnings by hinting that Mr. Reagan will be welcome in Moscow for a summit meeting in June or July, even if a treaty limiting strategic nuclear weapons is not ready for signature.

As the chief Soviet negotiator in Geneva has said publicly, the Soviet goal in the arms control negotiations is to denude Western Europe, which would lead inevitably to a central Europe. The neutralization of

Western Europe has been the primary Soviet strategic objective since World War II. Such a development would lead automatically to a reorientation of the policies of Japan, China and many smaller countries.

The United States should not ratify the INF agreement, therefore, until sound agreements on the other two elements of the nuclear equation are in hand. That goal can be accomplished in a variety of ways: By delay in submitting the treaty to the Senate, by Senate delay in ratification, by a Senate reservation making explicit the policy of linking the INF treaty with the other negotiations or by presidential delay in ratification after receiving the Senate's consent.

With the INF accord ratified, Moscow would have no incentive for



Drawings by VALERRY.

that an agreement on longer-range offensive weapons is by no means assured. He and other Soviet spokesmen have made clear that the Soviet Union is still determined to kill the U.S. Strategic Defense Initiative program, thus retaining the Soviet Union's present monopoly in the field. They have crudely sought to temper the effect of their warnings by hinting that Mr. Reagan will be welcome in Moscow for a summit meeting in June or July, even if a treaty limiting strategic nuclear weapons is not ready for signature.

As the chief Soviet negotiator in Geneva has said publicly, the Soviet goal in the arms control negotiations is to denude Western Europe, which would lead inevitably to a central Europe. The neutralization of

a deal on strategic arms and defensive systems, and Washington would be under great pressure to make concessions to reach agreement.

The next six months should make clear whether Mr. Gorbachev's arms control policy is a bold attempt to gain control of Western Europe, China and Japan or the first step in moving beyond the illusions of détente toward genuinely peaceful coexistence. Meanwhile, America should take no irrevocable steps.

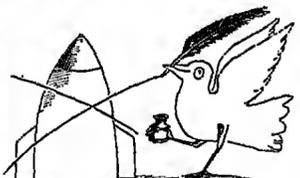
The writer is chairman of the executive committee of the Committee on the Present Danger, a conservative research group, and a former director of the U.S. Arms and Disarmament Agency. He contributed this comment to The New York Times.

No, Be Bold: Get Rid of Nuclear Arms Altogether

By John A. Osmond

NEW YORK — "Thank heaven for nuclear weapons," Prime Minister Margaret Thatcher says every time she reminds us that Europe has been free of war for 40 years, attributing that circumstance, erroneously and without substantiation, to the existence of nuclear weapons.

The same canard is promulgated by George Will, the columnist, and other conservatives, but also by many liberals and arms control experts who would of course like nothing better, in their heart of hearts, than to see the world completely



free of nuclear weapons, but who know that it is not possible. Another canard.

What is important about getting these things right is that if such apprehensions are allowed to persist, they could gravely influence the next summit meeting, which is to deal with reduction of strategic nuclear weapons.

Take the first canard, a porous syllogism at best. There has been no war in Europe in the 40 years that nuclear weapons have been around; therefore nuclear weapons have prevented war. That bears a disturbing resemblance to the argument used by a

Brooklynite who, when asked why he called a purple powder that he sprinkled around his house "elephant repellent," replied, "Well, you don't see any elephants around here, do you?"

To ascribe the poverty of the nukes-prevent-war-in-Europe argument, one need only notice that they have not prevented wars elsewhere. And one was ever used even where they might have turned the tide (South Korea, Vietnam, Afghanistan) without risking equal retaliation to the potential users' homelands. Why not?

The reason is simply that the expansion and growth of nuclear warfare, if it breaks out, cannot be deliberately limited or controlled. Virtually every military expert who has played a computerized nuclear war game has expressed astonishment at how fast things got out of control, some saying that they were never able to prevent it from running away to totality. Thus, any use of nuclear weapons risks ending in global holocaust, and that means that there is no way at all of ever rationally justifying their use.

If there is no sense or sensible way of using nuclear weapons without putting humanity at risk — and there is none, as all nuclear war experts know in their bones, whether or not they will openly admit this perplexing truth even to themselves — then nuclear weapons cannot be used. And if they cannot be used, then they cannot have prevented war in Europe for the past 40 years.

That still leaves 40 years of peace in Europe to account for. If not nukes — the rational equivalent of elephant repellent — then what explains it?

Could it be that NATO and the Warsaw Pact have not gone to war simply because they have not wanted to, because there has been no reason to do so, because there is every reason not to do so, because there has been nothing to be gained and much to be lost, irrespective of the real though minimal risk that things might escalate — but only accidentally — into the nuclear realm? It certainly could not be otherwise.

This brings up canard number two: that nuclear disarmament is not possible.

Well, if no use whatever of nuclear weapons can ever be justified rationally, why not just get rid of them? Because, the canardologists say, you can't ever be sure someone won't hold some back, and there is always the threat of nuclear terrorism, say, from an Iran or a Pakistan.

That argument does not address the rational unavailability of nukes, nor does it acknowledge the vast range of very persuasive non-nuclear modes of deterrence — including chemical and biological weapons — that could, if necessary, be used to render intolerable punishment for a nuclear attack by a mindless despot or a maniac.

The bottom line is that there is no use for nukes, their very existence threatens all humanity as nothing ever has before and they can be eliminated from the face of the Earth, as President Reagan often says in his fondest dream. All we have to do is shoot down all the canards of folly and start thinking clearly about getting, as they say, our real ducks in a row.

Mr. Osmond is writing a book that deals with the paradoxes of the nuclear age. He contributed this comment to The New York Times.

A Reformist Polish Official Sees 'Historic' Change

By Flora Lewis

WARSAW — Mieczyslaw Rakowski has been at the leading edge for reform among Polish Communists for more than a generation. He never quit the party, as so many did, and his fortunes waxed and waned according to the climate. Along the way he accumulated enemies among party officials who thought him too soft and critics of the party who thought he lacked the courage of his convictions.

Now, suddenly, he has emerged on top as a new member of the Politburo. It is a sign of the times, meant to show that General Wojciech Jaruzelski is intent on pushing reform and that he has the capacity to do so despite resistance from the party apparatus.

A big change — Mr. Rakowski calls it "historic" — is that in the Gorbachev era hard-liners in East European regimes no longer can use Moscow as an excuse to prevent liberalizing changes in their countries. "Now the leaders are fully responsible for what they do," he said in an interview.

His views are not necessarily repre-

sentative of East-bloc Communists, but they give insight into the way reformers are thinking, the problems they see, and how far they have to go to contemplate the kind of change that would fire their people's energies.

There is a new generation rising. Mr. Rakowski said, "which has a very special meaning in this part of Europe. It is much more realistic. It has no emotional connection with the glorious past. (There was no time of socialism in his or her word glorious.) It is ready to accept socialism on one condition, that there is no more gap between words and facts, concepts and practice."

As a result, he said, differences will increase among the East-bloc countries and nationalism will rise. "This can be a danger in the next 10 to 15 years," but even if there are anti-Soviet feelings, "the spirit of ostensionhood realizes we have to be with the Soviets." "A certain stage of socialism has closed," he said. "Nobody accepts it anymore." Among ideas he called dis-

carded is the once-official thesis "that we have the moral and political unity of the Polish nation," which left no room for "socialist" other views.

"The economic idea was that everything had to be huge, vast factories were socialism," he said. "No more. And in church-state relations, we sought conflict. Now we still have ideological differences, but we don't provoke day-to-day trouble."

"In the last eight years" — since the rise of Solidarity — "we were looking for solutions but we were very weak politically. We were newcomers, all is new for us. In my generation... we are 61 years old — the whole concept of socialism was different. We were not intellectually and morally prepared for what's going on. Now, we must have a different economic approach. We must accept differing political orientations within the system and find new structures for them. We must accept the role of the church."

"We know now that the party is not alone and will not be alone in the future. If the market leads the economy, the party cannot dictate how it should work. We have to take this problem of the role of the party seriously, even if we have no answer... Maybe my generation is not ready, maybe we are prisoners of the past. This is a task for the next generation. The party is not prepared for such change. In the past it used simple instruments, all connected with dictatorship."

He drew a distinction between the "real opposition, only those who are against socialism as a system, and all the rest, even if they're very critical. We have to find a place for them in the structure. How? That is the question."

"We have to find how we can manage the system to create a good example for the rest of the world. We are still far from this goal. I still believe capitalism will be replaced by socialism, but only in the sense that people will accept it. Thanks to the October Revolu-

100, 75 AND 50 YEARS AGO

1888: Miners on Strike

NEW YORK — The strike among the miners in the coal fields of the Schuylkill and Lehigh Valleys in Pennsylvania, is assuming ugly features. The strike is spreading and the feeling of the men against the Reading railroad is becoming every hour more bitter. The men say they will eat their boots before they give in, and even starve if necessary. The entire region, where 44 mines of the Reading company are located, is in idleness and an army of 50,000 men stands in dangerous inactivity.

1913: Flappers and Fliers

PARIS — A prize of 1,000 francs for a race of one kilometer, for bicycles propelled solely by means of flapping wings, has been offered by Bernard J. Dubos. The conditions stipulate that the winner's time for the kilometer must not exceed the running record. LONDON — They are "seeing things at night" in Dover, including another

Kabul Isn't To Become A 'Saigon'

By Jim Hoagland

PARIS — The Soviet Union needs American help to carry out the orderly withdrawal it now desires from its war against Afghanistan. As soon as American aid to the Afghan mujahidin stops, Russian withdrawals will begin. Nothing else stands in the way of a settlement.

That is the message that Soviet diplomats are transmitting to Washington and to other capitals as the most serious diplomatic effort yet undertaken to end the war begins.

But there is an important section of small print in the Soviet formulation that suggests that this is more a strategy than a genuine offer, and that peace is probably not at hand.

"We will leave Afghanistan, but we will not leave clinging to the skirts of helicopters lifting off the roof of our

The Russians do not seem to be hurrying enough yet to leave.

embassy," a Soviet official said with a hint of defiance in his voice in Washington a few weeks ago while Mikhail Gorbachev was out winning the hearts and minds of Congress and America.

The choice of images to represent or obscure reality is nearly as important in diplomacy as it is in poetry. Both arts depend on the power of suggestion to convey complex meanings that disappear when reduced to a literal formula. In using Vietnam as analogy to Afghanistan, the Soviets seem to me to emphasize the double-edged nature of a strategy that still boils down to leaving on their own terms if they leave at all.

By denying that they will submit to the sort of humiliation that Americans experienced in 1975, the Russians implicitly concede that such an outcome in Afghanistan is now an idea that has to be confronted — and avoided.

The Vietnam analogy is thus a measure of Moscow's awareness that the military situation on the ground in Afghanistan is shifting to stalemate or worse, a view that has been reinforced by the battles around the panhandle town of Jost. The Soviet army has shown this week that it can keep the route to Khost open, but only at the price of a major offensive.

It is possible that Khost could be a Soviet version of the gung-ho backing out of the saloon door with both guns blazing as a way of getting out of town alive. But placed against the background of the rejection of the Saigon syndrome, it suggests instead a Soviet determination to keep on fighting to preserve its client forces, even in marginal situations.

Analysis of the results around Khost will feed a muted debate among Western capitals about Soviet intentions in Afghanistan that has been going on since the Washington summit. For the optimists, Mr. Gorbachev provided new hope that a settlement can be reached in the final year of the Reagan administration by personally committing himself in Washington to a Soviet withdrawal within 12 months or less — if Washington shuts off the arms flow to the guerrillas.

This helped trigger the trip by U.S. Undersecretary of State Michael Armacost to Pakistan this week, as Soviet Foreign Minister Eduard Shevardnadze flew to Kabul.

The Soviets have positioned themselves to follow a double-track strategy. If a retreat "with honor" can be arranged, the cost in Afghanistan has become so high that the Russians would take it. If it cannot, they will fight on and blame the Americans for making them stay by refusing to cut off supplies to the mujahidin.

What does "honor" mean here? The Soviets seem to want an outcome that at a minimum keeps the mujahidin from becoming a threat to the local forces that the Soviets would leave in place under an ineffective, politically mixed central authority. They would withdraw valley by valley, intensifying Afghanistan's fragmentation.

While admitting that their costs are high and growing, the Russians do not seem to be hurrying enough yet to make the kind of true withdrawal that Washington rightly demands. The next U.S. president is likely to be in office before such a deal opens.

The first step the next administration should take is to reverse President Reagan's well-meaning but wrong decision to jump Afghanistan with Angola, Cambodia and Nicaragua, to be discussed with the Mujahidin as "regional conflicts." The Soviet war on Afghanistan is a superpower imposition of a small neighbor, and deserves to be singled out as such.

The Washington Post.

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OPINION

Looking to an Exiled Monk For a Sign of Tibet's Dream

By A. M. Rosenthal

DHARMSALA, India — The man in the maroon robes took a ballpoint pen, carefully put his name and his calling on a scroll and read aloud what he had written.

He decided that anger in his heart did not help him, but did help the Chinese. Other Tibetans, not saints incarnate, do allow themselves anger.

ON MY MIND

It is part of the story of the Dalai Lama, the most important part, that in exile he has come to mean far more as a religious leader, receptacle of a people's hopes and symbol of struggle between power and conscience, than he ever could have in his monasteries and palaces in Tibet.

Everything is part of the passionate insistence that Tibet lives: the small government offices, the tiny cities of about 15 cents a month, the stories parents pass to children, the eager word for any sign of interest from the rest of the world, the messages and travels among the other Tibetan communities scattered around India, the eager questioning of the newest exile.

In his simple home atop a hill, the Dalai Lama talks, not preaches. He speaks in a startlingly rich musical baritone, and he breaks into high, delighted laughter whenever something tickles him.

He has shrewd arms and a strong, expressive face. It lights up most when he talks of the young people of Tibet, at home and in exile, and says they are even more passionate about their religion and homeland than their elders are.

The Dalai Lama says Tibet committed a great sin — locking itself away in the years it knew freedom, not coming forward as a nation, making itself known among other nations. That was Tibet's karma, he says: the result of what he and other Tibetans did in other lives, on this or other planets.

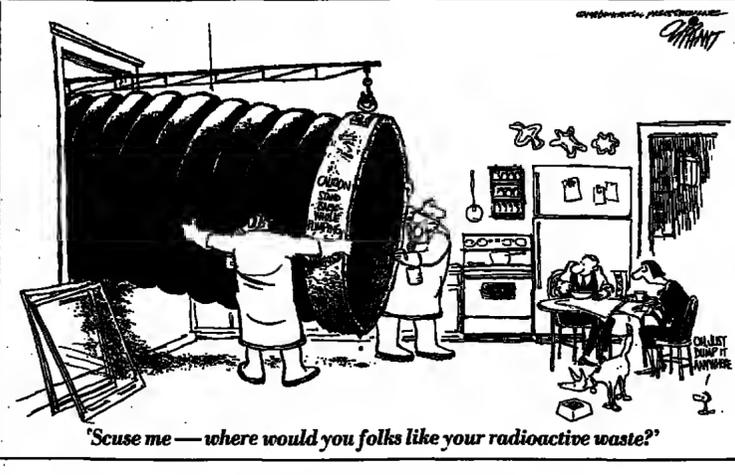
But karma, he says, also can mean action in this life, another chance. He tells his people to act, without hatred, but to act to preserve Tibet and the ways of enlightenment.

Suddenly, talking to him, the realization grows that in this small town there is a world figure who makes most other leaders seem pale and insipid. Perhaps it is because of the things he thinks are important and talks about, such as ethics and values, the right to happiness and the need for kindness.

He believes in his own religious particularism but tells his people they must rely more on themselves: There is "too much Dalai Lama." And of course the special power of the Dalai Lama is that he can transmit a sense of purpose not just to Tibetans but to most who see him and millions around the world who feel kinship to him.

Perhaps China will never allow Tibet any real degree of freedom. Perhaps it will be different if the nations cared enough to speak up to China. Perhaps that will happen, one day. Perhaps one day there will be more people who believe that good will lead to good in time, as does Tezsin Gyatso.

As does Tezsin Gyatso. The New York Times.



Under Israel's Hand: Legacy of Hate Makes Peace Elusive

No doubt many more Palestinians will have to die before the West finally considers its debt of conscience toward Israel as having been paid and that country's acts are at last judged by the same norms as are applied to others.

Builds Hate," which states that "Palestinians, by conducting terrorist operations and by failing to field a leadership competent to negotiate a West Bank settlement, lead a rationale and, in many Israeli minds, an inevitability to the hard line."

Our encouragement of Israel's acts and policies over the past 40 years has created, I fear, a state of mind among Israelis that is strikingly similar to that which was responsible for the Jewish people's own terrible suffering. Two generations have been raised in a climate of arrogance, infallibility and xenophobia, in which state terrorism was venerated.

It should be noted that Arab leaders who have tried to negotiate with Israel, like King Hussein's grandfather and Anwar Sadat, have been assassinated by their own people. Unless the Arab world recognizes Israel, hope for peace is not possible.

We should not now be surprised and shocked by the atrocities of which the Palestinians are victims. It is our own hypocrisy and deliberate blindness that must assume much of the responsibility.

Anthony Lewis is right in "Only Truth Will Best Serve Israeli and American Jews," (Dec. 28): There is more involved in the unrest in Gaza and the West Bank, and in Israel's measures to suppress it, than "law and order." This slogan is as apt a tool of tyranny as it is a weapon for freedom. Hitler had law and order, as did Stalin. Make it "law and order, as did Hitler," then good men can rally to it. Otherwise, beware.

I am surprised at those in your pages who have tried to make a case for the less-than-moderate Arab side. Still, credit must be given to the Washington Post editorial you printed Jan. 2, "Occupation

In "Peace for Gaza Must Begin in Understanding the Past" (Dec. 23), A. M. Rosenthal says that the United Nations voted for the creation of Israel in 1947 "with the backing of every major power." That is not quite right. True, there can be arguments over the definition of a "major power," but presumably Mr. Rosenthal would agree that Britain was a major power then (especially in that region), and it abstained during the UN vote of November 1947: 33 in favor, 13 opposed, 10 abstentions.

Suddenly, talking to him, the realization grows that in this small town there is a world figure who makes most other leaders seem pale and insipid. Perhaps it is because of the things he thinks are important and talks about, such as ethics and values, the right to happiness and the need for kindness.

I got a headache trying to retrace how Mr. Rosenthal can conclude that Israel is judged by "higher standards" ("Peace for Gaza Must Begin in Understanding the Past," Dec. 23). The "higher standards" seem rather to have been the premise from which Mr. Rosenthal started. He implies that Arabs are expected to have lower standards.

He believes in his own religious particularism but tells his people they must rely more on themselves: There is "too much Dalai Lama." And of course the special power of the Dalai Lama is that he can transmit a sense of purpose not just to Tibetans but to most who see him and millions around the world who feel kinship to him.

If the Palestinian who flew a hang glider into Israel to attack a military base is an "extremist," then what are the Israeli pilots who bomb Palestinian refugee camps in southern Lebanon and the Israeli soldiers who shoot unarmed youths in the West Bank?

Perhaps China will never allow Tibet any real degree of freedom. Perhaps it will be different if the nations cared enough to speak up to China. Perhaps that will happen, one day. Perhaps one day there will be more people who believe that good will lead to good in time, as does Tezsin Gyatso.

The strategy worked. The crates of trees cleared customs the day they arrived

An Idea From TreePeople Bears Hope for Ethiopia

By Andy Lipkis and Susan Becker

LOS ANGELES — Another famine in Ethiopia: horror for some readers, ho-hum news for others and, for some Westerners more personally involved, a story of mixed emotions.

At Addis Ababa's airport. Trainers were sent from Los Angeles to manage the planting process. Within two weeks, the trees were planted in Sidamo, Hararge and Shoa provinces; Sidamo and Hararge turned out to be two areas hit hard by last year's drought. Within a year, the trees started bearing fruit in the south. And now, in Hararge Province, Oxfam reports that their trees, too, have fruit.

The latest famine should have been news months ago. Last August, Ethiopia's Relief and Rehabilitation Committee announced that a new drought had

How can they bear fruit so quickly? The trees were three years old at the time of shipment, and were well-cared for throughout the year because local farmers recognized their value. Fruit trees help feed families, provide small cash crops and, in shedding their leaves, add humus to the soil.

Still, current coverage is welcome; attention always quickens the flow of international aid. Help will again be provided.

Moreover, older fruit trees can tolerate a year of drought; 3-year-old trees were strong enough to survive. A second year of drought will make mature trees go dormant — but it will not kill them. Villagers were inspired to care for these trees because they grew so rapidly and showed instant signs of being productive.

At the same time, Westerners ask why Ethiopia has a famine again. Should they help bail out the Ethiopians every time? If they do not help, and millions die, should they much care, especially if it seems that the Ethiopians' own government does not much care?

Last year, two follow-up trips were made to the villages, one to evaluate survival rates and assess current problems, the other to provide training in disease and pest control, pruning and other care. This year, the villagers will try producing two crops per year. With two cold seasons and two rainy seasons, they can harvest twice annually, double what North American growers can do.

Such questions almost defy answers. Instead, we wonder why Westerners are not looking at more creative ways to help Ethiopia become self-sufficient in terms of food and agriculture.

The fruit trees will not build a new Ethiopian economy, but they make a difference. Each tree bears a few pieces of fruit one year after being planted and, four years later, each produces about 30 pounds (13 kilograms) of fruit annually. In 1990, with just 1,000 trees, 30,000 pounds of fruit can be added to the Ethiopian pantry. For several decades, production levels will remain this high.

Still, current coverage is welcome; attention always quickens the flow of international aid. Help will again be provided.

Every dollar raised for the fruit tree program has come from people willing to take a risk or wanting to donate goods or services; Pan Am, for instance, donated some transportation and shipping.

At the same time, Westerners ask why Ethiopia has a famine again. Should they help bail out the Ethiopians every time? If they do not help, and millions die, should they much care, especially if it seems that the Ethiopians' own government does not much care?

TreePeople, an environmental organization in Los Angeles, took this message to heart and began work on a small project that can make a lasting difference in Ethiopia.

In 1986, TreePeople airlifted 10 crates of fruit trees to five Ethiopian villages. The trees, leftovers from winter sales, were donated by wholesale fruit tree nurseries in California's Central Valley.

TreePeople relied on villagers' interest and staff initiative. Start-up costs were high; payoffs were even higher. Will the West continue limiting itself to crisis response — sending sacks of surplus grain — or can people open their minds to new ideas that can make a difference in difficult countries like Ethiopia, ideas that work despite politics and environment? Will people listen to this time, or will we wait for the next drought, stare at the same photos and ask the same questions once again?

Climate, geography, sites, transport, import permits and financing details had been studied for more than a year. To ease the burden of working in Ethiopia, TreePeople selected partner organizations such as Oxfam, Concern Ireland and an indigenous church group for links to local villages and for ongoing support.

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These groups allowed TreePeople to fit into existing programs rather than waste resources developing yet another organizational infrastructure. Errors of cost made by outsiders, who do not understand government regulations and local customs, were avoided. Most important, the on-site partners could take charge of daily monitoring.

The strategy worked. The crates of trees cleared customs the day they arrived

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Letters intended for publication should be addressed to "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

NOTES ON A CENTURY

The Journey to Paris, In Pursuit of a Legend

The author was a member of the UNESCO secretariat for 28 years until his retirement in 1976. His book, "The Eighth Case: Troubled Times at the United Nations," was recently published. He was a Herald editorial staffer from 1937 to 1938.



Photo: Roger W. Miller

By Julian Behrstock

The legend of the Paris Herald had spread to Chicago by the time I was a boy growing up there. I was firmly convinced that the Herald was the most alluring newspaper in the most exciting city in the world.

Paris World's Fair, 1937.

As soon as I graduated from Northwestern University, in the summer of 1937, I was on my way to Paris to seek a job on the Herald. Boarding the Ile de France, and descending to my third-class cabin, I found on my bunk a letter from Bergen Evans, my Northwestern professor and mentor, who was to win fame in television's early years. That letter captured the spirit of many of us who, just out of our teens, were drawn to Paris and to the Herald.

listen to a job applicant and, as he wrote in his memoirs, he was particularly well disposed to those whose credentials were not a diploma from a school of journalism but rather a stint on the college newspaper. That was the only qualification I had to offer.

I was immediately assigned to the sole vacancy Hawkins had available, as an assistant in the "radio room," with a promise of news assignments later. My radio-room task was to pick up nightly dispatches telephoned by Herald correspondents, mainly the London news roundups. These were recorded on a rotating circular disc, then played back (despite occasionally inaudible reception) and typed up for the newsroom — an antiquated system of communication far removed from the IHT's present technological marvels.

"What an exciting hour this must be for you!" he wrote. "To have your seeing out in life symbolized by leaving America — to have heard the great whistles, to realize that the dock is slipping away, to feel the ship beginning to lift on the ocean swells. And all of this experienced for the first time when one is young and full of hope. You will never again know anything quite like it. Good luck in Paris. The Paris Herald seems to be the jumping off place for any number of writers and journalists."

Arriving in Paris, I went to see Ric Hawkins, the Herald's managing editor. It was apparently Hawkins' policy never to refuse to

My most memorable reporting assignment was an interview with the minister of tourism on the 1937 Paris World's Fair. The minister displayed only a flicker of apprehension when told that I was from Chicago, cause impelled him to abandon the Herald for the International Brigade in Spain. He was killed there in combat.

After my Paris year I returned to the United States to enter graduate school in language and history. This, I hoped, might prepare me for a career as a foreign correspondent.

The memory of the Herald experience was still vivid when I ran across Hawkins in London during the war. Feisty as ever, not at all affected by his escape from occupied France nor by his involuntary exile in his native England, Hawkins told me of his aim to restart the Herald after Liberation and invited me to see him then about a job.

I never took him up on it. But I am glad to join in the 100th birthday of this newspaper, with a flashback of appreciation for its having offered me my first job and introduced me to the city that was to become my home.

This is the 43rd in a series of messages about the IHT.

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Our second major international conference on Latin America brings together an outstanding group of speakers from Latin America, Europe and the United States to review major new developments in the region and look for news ways forward.

As places at the conference are strictly limited, we recommend that senior executives from the banking and business community interested in attending the conference should complete and return the registration form without delay.

FEBRUARY 11

NEW INITIATIVES IN MULTILATERAL LENDING
Antonio Ortiz-Mena, President, Inter-American Development Bank
SPECIAL ADDRESS
Speaker to be announced.
Coffee
BREAKING THE DEBT CIRCL: WHY LATIN AMERICA NEEDS MORE THAN CURRENT DAMAGE LIMITATION MEASURES
Belisario Betancur, former President, Colombia
Str. Jeremy Morse, Chairman, Lloyds Bank PLC, London
FROM DEBT TO NEW FOREIGN INVESTMENT
Mauricio Garcia-Araujo, President, Central Bank of Venezuela
DISCUSSION ON MORNING SESSIONS
Luncheon
THE URUGUAY ROUND AND THE CHALLENGE FOR NORTH/SOUTH COMMERCIAL RELATIONS
Arthur Dunkel, Secretary General, GATT, Geneva
Enrique Iglesias, Foreign Minister, Uruguay
THE RESTORATION OF TRADE AND FINANCE FLOWS
Giuliano Amato, Treasury Minister, Italy
Nicolas Ardito-Barletta, former President, Panama
Pedro Pablo Kuczynski, President, First Boston
International DISCUSSION
Cocktails

FEBRUARY 12

HOW THE COMMERCIAL BANKS SEE NEW DEBT INITIATIVES
William Rhodes, Chairman, Restructuring Committee, Citibank, N. A., New York
Franz Lutolf, General Manager, Swiss Bank Corporation
Richard Martin, Senior Vice-President, Bankers Trust Company
Coffee
OPENINGS TO FOREIGN INVESTMENT
MEXICO: Gustavo Petricoli, Finance Minister
Ecuador: Rodrigo Espinosa, Finance Minister
COSTA RICA: Fernando Nararino, Finance Minister
DISCUSSIONS ON MORNING SESSIONS
Luncheon
MULTINATIONAL COMPANIES' INVESTMENT PERSPECTIVES IN LATIN AMERICA
Jean-Jacques Faust, Délégué Général au Brésil et en Argentine, Compagnie de Saint-Gobain, Rio de Janeiro
Gerfr. Jeelof, Vice Chairman, Philips Industries, Eindhoven
CHANGING APPROACHES — BRAZIL'S PRIVATIZATION PROGRAM
Speaker to be announced
PERU'S NEW FINANCING SCHEMES
Guillermo Larco-Cox, Prime Minister, Peru
DISCUSSION
Closing Remarks
*Invited/Subject to confirmation

REGISTRATION INFORMATION:
The fee is \$25 plus 15% VAT for all participants. Fees are payable in advance and will be returned less \$50 for any cancellation postmarked on or before January 27.
Please return registration form to International Herald Tribune, Conference Office, 63 Long Acre, London WC2E 9JH or telephone (44-1) 379-4302 or telex 262009.

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INTER-AMERICAN DEVELOPMENT BANK
Herald Tribune

A Protest by Nuns Reported in Tibet

By Daniel Southerland
Washington Post Service

BEIJING — Despite extensive Chinese police controls, Buddhist nuns staged a small pro-independence demonstration last month in the Tibetan capital of Lhasa, according to foreigners in Tibet.

Felix Haller, 25, an Austrian who is studying in Tibet, told the Austrian Embassy in Beijing that the police had accused him of helping to incite the demonstration.

Mr. Haller said he had been confined by the police in his hotel in Lhasa since Dec. 22.

Few details were available concerning the demonstration, but foreign sources said it occurred Dec. 19 near the Jokhang temple in the center of Lhasa. About 20 nuns participated, the sources said. There were unconfirmed reports that some of them had been arrested.

In the fall, Tibetan monks led three demonstrations against Chinese rule in Tibet. A protest on Oct. 1 turned violent, resulting in the destruction of a police station and the death of at least six persons and perhaps as many as 19.

The authorities flew more police to Lhasa and plainclothes police are now said to be stationed at the temple and at three monasteries near Lhasa.

The Chinese government has insisted that the situation in Tibet is normal. Foreign journalists were ordered out of Tibet in October.

Gerhard Weinberger, first secretary at the Austrian Embassy in Beijing, said Mr. Haller, who has been studying the Tibetan language, denied any involvement in demonstrations. He said Chinese officials had told the embassy that Mr. Haller was not technically under arrest or detention.

The embassy was told that Mr. Haller was not allowed to leave his hotel because he was in Tibet without travel documents. He had mailed his passport to the embassy for renewal, and embassy sources said it had been sent back to him, but that Mr. Haller had not received it by Tuesday.

The sources said that Mr. Haller was supposed to be pursuing his studies at a monastic institute in the Chinese city of Chengdu, but that he had been in Tibet for a year.



PROUD JAPANESE CALLIGRAPHERS — A 6-year-old girl displaying her bold handwriting along with a group of high school students during a New Year write-out contest Tuesday in Tokyo. About 7,500 young calligraphers participated in this annual event to produce beautiful writing.

Soviet-Led Afghan Forces Avoid Pass to Reach Garrison

By Richard M. Weintraub
Washington Post Service

ISLAMABAD, Pakistan — Soviet-led forces used a flanking maneuver to avoid a mountain pass and breach the Afghan rebel stranglehold on the garrison town of Khost, according to Western diplomats who have been following the battle in Paktika Province in southeastern Afghanistan.

Western diplomats on Tuesday confirmed earlier reports that Soviet and Afghan Army units had broken out of the mountains to the west of the Khost plain to bring a measure of relief to several thousand Afghan Army troops and Soviet advisers in Khost.

The reports quoted travelers from the Paktika city of Gardiz at the other end of the mountain road from Khost as saying that some relief columns had reached the outskirts of the garrison town.

"It's a rather Pyrrhic victory, if they have succeeded at all," a diplomat said. "At enormous cost, they have gotten out of the mountain through."

Western diplomats also reported continued heavy military action in other areas of Afghanistan, underscoring the combat, unusual in the winter, that is taking place this year as diplomatic activity apparently intended to bring about a settlement of the conflict has also stepped up.

A U.S. under secretary of state, Michael H. Armacost, continued high-level discussions with Pakistani officials on Tuesday, and the Soviet foreign minister, Eduard A. Shevardnadze, has been meeting with Afghan officials in Kabul.

The battle for Khost, which is reported to be still under way, had been built up by Kabul and Soviet spokesmen as a test of the ability of Kabul forces to break the stranglehold on the garrison town of Khost, which has been threatened since the outset of fighting eight years ago. Khost sits only a few miles from major guerrilla staging areas at Miramshah in Northwest Frontier Province in Pakistan.

According to officials informed about the fighting at Khost, the guerrillas had set up a standard winter-time siege similar to previous years but had added anti-aircraft capacity close to the Khost airstrip, stopping almost all plane traffic to the town. Where as many as 20 planes a day had been supplying the Khost garrison, the diplomats said the numbers had been cut to three or four a day when any at all got through.

The diplomats said that the battle had caused significant casualties on both sides and that hospitals in Kabul were crowded with wounded. Hospitals serving guerrillas wounded in Peshawar, however, have so far not reported an influx of wounded from the conflict.

Diplomats who closely monitor the Afghan guerrillas said it was premature to judge the effect of the battle on the guerrillas. They said that fighting was continuing and that thousands of trained guerrillas and untrained forces from both refugee camps in the border region and local tribesmen had flocked into the Khost area.

They said it did not appear that the main Soviet and Afghan units had broken through to the Khost plain or that major operations had

been started to try to clear the area of all guerrilla resistance.

The diplomats said that the outcome of the battle remained murky and that reports of just a few trucks and armored vehicles making it through to Khost left open a major question of what had happened to the bulk of the attacking column.

U.S. Aide Assures Rebels

Mr. Armacost assured Afghan rebel leaders on Tuesday of continued U.S. backing until Soviet troops pull out of their homeland, the Associated Press reported from Islamabad, quoting guerrilla leaders.

The Kremlin, meanwhile, was silent about Foreign Minister Shevardnadze's visit to Afghanistan and prospects for a Soviet withdrawal.

In Islamabad, Mr. Armacost met briefly with the Pakistan-based leaders of the seven main Afghan guerrilla groups.

"It was a very good and very helpful meeting," said Syed Ahmed Gilani, leader of the National Islamic Front for Afghanistan, because the Americans "are supporting our cause. They promised to continue supporting us until Afghanistan is free."

Another guerrilla leader, Mohammed Shah Fazi, said that the guerrillas were assured of continued American help but that Mr. Armacost did not give details or spell out the nature of the support.

Frenchman Can Appeal

Alain Guillo, a French journalist sentenced by an Afghan court to 10 years in jail for spying, can appeal for pardon to the Afghan president, Major General Najib, Reuters reported Tuesday from Moscow, quoting the Tass press agency.

The verdict against Alain Guillo, 45, a freelance reporter and cameraman for the French photo agency Sygma, was announced in Kabul on Monday, bringing an immediate protest from France.

Jackson Qualifies for Funds

The Associated Press

WASHINGTON — The Reverend Jesse L. Jackson received certification Tuesday from the Federal Election Commission for matching federal funds in his presidential campaign. Mr. Jackson's first allocation will be \$227,424, a commission spokesman said.

SAUDI: Tax Plan Is Rescinded

(Continued from Page 1)

from the new tax, the cost of doing business for Saudi businessmen employing foreigners would have to rise as they try to retain foreigners workers by paying their taxes, or face the departure of personnel that is essential to the conduct of their enterprises. Coming in the midst of a three-year recession, the hardship was too much to bear.

Details of the Saudi royal decree that introduced taxation were published in the official gazette, Um Al Qura, on Dec. 30 but surfaced on the front pages of Saudi newspapers on Jan. 2. Sources said that over the next several days thousands of foreign doctors, engineers, nurses, technicians, teachers, bankers and clerical employees approached their employers with their desire to leave before the Jan. 21 application of the law.

Part of the problem, Saudi sources said, was that foreigners employed in Saudi Arabia get a hefty end-of-service compensation at the end of five or 10 years and the amount gets even larger for some employees who may have been there for as long as 30 years. "A lot of people are waiting for a package of \$300,000 or more and didn't want to pay taxes on that," the personnel manager said.

But much of the outcry came from the Saudi public, which has

seen a slow and agonizing end to the era of plenty descended on the economy over the past few years. Although Saudis have no taxes to pay, they do pay zakat, a religious financial obligation that was doubled to 2.5 percent of income in 1986. In 1987, gasoline prices were raised by a third, and while they remain among the cheapest in the world, the rise was perceived as a hardship in a country where virtually everyone drives.

In addition, the oil recession and price collapse, which peaked in 1986 when oil prices fell from \$32 a barrel to under \$10 a barrel, translated into cancellation of many development projects, frozen salaries, elimination of overtime pay and fringe benefits, higher fees for public services, and the slow departure of hundreds of thousands of foreigners who left behind unrented apartments, unthought cars and unattended public stores.

The Saudi rial has been devalued over the past three years from 3.35 rials to the dollar to 3.75 to the dollar, cutting into the purchasing power of Saudi Arabia, whose income from oil exports fell from well over \$100 billion prior to 1982 to less than \$20 billion this year.

Saudi sources said the country must still face up to the fact it is running a deficit.

Soviet Shoppers Get a Taste of Rodeo Drive Chic

By Philip Taubman
New York Times Service

MOSCOW — Murat T. Gadginsky wants to change the way Russians shop.

Enough of the second-rate goods, long lines, rude sales clerks and the pushing and shoving that make a Soviet shopping trip the equivalent of trench warfare.

He decided to borrow a page from Rodeo Drive, the swank swath of boutiques in Beverly Hills, and establish an opulent, hip-priced, invitation-only clothing emporium in Moscow that pampers its customers.

Inspired by Mikhail S. Gorbachev's call for improved consumer goods, and supported by the Ministry of Light Industry, Mr. Gadginsky has succeeded — up to a point.

His vision of Russia's retailing future is a two-story refurbished former restaurant in the outskirts of the capital. Called Lyuks, or Luxe, it is one of the most ambitious and eccentric enterprises yet born of Mr. Gorbachev's drive to modernize the Soviet economy and improve the quality of life.

Mr. Gadginsky's creation, which opened in October, is a way station somewhere between communism and capitalism.

With its video displays, a computerized sales system, smiling sales clerks and a stylish logo, Lyuks looks light years ahead of the typical Soviet store.

Karl Marx, even J.P. Morgan, would wince at some of the top-of-the-line price tags. Not long ago the niece of Patriarch Pimen, the leader

of the Russian Orthodox Church, paid 40,000 rubles (about \$64,000) for a custom-made fur coat, according to a store executive.

Although most garments are priced more modestly, the store offers a number of specialty items, mostly fur coats.

The latest Soviet fashions are displayed on brightly lit mannequins that seem almost lifelike compared to typical Soviet ones, which look like cadavers.

Sales are tallied on computer screens, and customers receive attentive service from sales clerks who have completed a special

three-month course that includes instruction in courteous behavior.

Mr. Gadginsky reported that his sales clerks, instead of taking out their frustrations on customers, which seems the custom at most Soviet stores, can step into a "relaxation room" where they can punch a plastic model that has the word "customer" emblazoned across its chest.

"I got the idea from Japan," he said.

Most of the building refurbishing, which cost five million rubles, was accomplished with imported equipment and technology.

For all the modern accoutre-

ments and sales techniques, the store remains in many ways a captive of the Soviet system.

Many of the clothes, although more stylish than normal Soviet outfits, fall far short of Western standards. On close inspection, many items showed signs of indifferent Soviet manufacturing.

Despite the effort to design a store where crowds and lines would not form, dozens of shoppers waited in line on a recent afternoon to enter the women's shoe department and other popular sections.

Mr. Gadginsky's biggest problem may be the hostility to premi-

um prices, a main component of his gilt-edged marketing strategy.

The Ministry of Light Industry forced him to roll back prices after a Moscow newspaper printed the complaint of one irate customer who said Lyuks charged 30 percent more than other stores for the same raincoat.

Shaking his head at the decision, Mr. Gadginsky said: "People should be prepared to pay something extra for the good service, absence of crowds and other advantages we offer. But Soviet shoppers aren't accustomed to this kind of store."

GAZA: Troops Kill a Palestinian

(Continued from Page 1)

ian flags in the West Bank towns of Bethlehem, Bir Zeit, Tulkeram and Kalkiya and in Jerusalem.

The Khan Yunis incident apparently began as a demonstration by Palestinian youths in opposition to the expulsion order — one of the nine — issued against Hasan Abu Shakra, 27, who heads the Muslim fundamentalist Salfiyun organization based in Khan Yunis.

An Israeli Army official said that from early Tuesday morning Palestinian youths in the Khan Yunis refugee district were burning tires, blocking roads and throwing stones at Israeli troops, who were keeping their distance.

Around noon, the official said, a large group of demonstrators set off a march from the home of Mr. Abu Shakra. At one point, they surrounded an Israeli patrol and hit a soldier in the face with a stone.

His commanding officer opened fire at the feet of the protesters, wounding three, the army said.

A short time later, another Israeli patrol in Khan Yunis found itself besieged by demonstrators, and one of its soldiers fired at the crowd, killing one Palestinian youth and wounding four others, the official said.

In Jerusalem, a group of leading Palestinian intellectuals warned Israeli authorities that unless they rescinded their deportation orders issued Sunday against nine Palestinian nationalists from the West Bank and Gaza they would call on all Palestinians out to pay Israeli taxes or buy Israeli-made products.

More than 100,000 Palestinians from the occupied territories work in Israel every day and pay enough in both direct and indirect taxes to cover the entire budget of the Israeli administration in the West Bank and Gaza Strip.

The threat seemed to be an example of how the older generation of Palestinians, who are either too tired, too frightened or have too much to lose to engage in violent protest, are being energized by their sons.

The relatively moderate Palestinian nationalist leadership in the West Bank and Gaza cannot afford to be left behind by the 14- and 15-year-olds on the street whom they are supposed to be leading.

Mubarak Invited to U.S.

President Ronald Reagan has invited President Hosni Mubarak of Egypt to make a state visit to Washington on Jan. 28, United Press International reported Tuesday from Washington, quoting a White House spokesman. The rising tension in Israeli-occupied areas is expected to be on the agenda.

ISRAEL: Criticism Eases

(Continued from Page 1)

the violence and denounced Israel's "harsh security measures and excessive use of live ammunition."

This brought a delegation of about two dozen leaders of U.S. Jewish organizations to the State Department on Dec. 24 with a strong complaint about equating rioters with authorities trying to maintain order. The delegation was headed by Morris B. Abram, chairman of the Conference of Presidents of Major American Jewish Organizations.

Since then, the administration's public tone has been decidedly muted.

Police sources said the victim, Siegfried Wiedpütz, appeared to have incurred heavy debts during his 18 months in Paris. The police at first suspected that the killing was a terrorist attack by Kurdish extremists with a grudge against the West German government.

A political leaflet signed by a Kurdish exile group was found in the dead man's pocket. But the police have since cast doubt on that theory and are now focusing on the diplomat's private life, the sources said.

Police Probe Debt In Envoy's Killing

PARIS — The police investigating the shooting Monday of a West German diplomat in Paris believe he was murdered for private, possibly financial, reasons, but they do not rule out political motives, sources said Tuesday.

Police sources said the victim, Siegfried Wiedpütz, appeared to have incurred heavy debts during his 18 months in Paris. The police at first suspected that the killing was a terrorist attack by Kurdish extremists with a grudge against the West German government.

A political leaflet signed by a Kurdish exile group was found in the dead man's pocket. But the police have since cast doubt on that theory and are now focusing on the diplomat's private life, the sources said.

BLOC: Gorbachev Inspires Hope Among East Europeans as They Await Own Reforms

(Continued from Page 1)

invasion of 1968, he was a deputy prime minister and the architect of the economic changes that gave impetus to the "Prague Spring," Mr. Jakes, on the other hand, said in the Soviet Embassy with a handful of Moscow's most devoted followers — not including Mr. Husak — to try vainly to form a government that would renounce the Dubcek program and assure the invaders of support.

Unhappiness over Mr. Gorbachev's failure to inspire in the East European countries a switch to leaders aspiring to fundamental change is the most discernible aspect of Eastern and Central Europe's profound malaise. The heart of the matter is historic mistrust of Russia under any leader.

"Gorbachev does not see the necessity for change," said Jiri Hajek, who was the Czechoslovak foreign minister during the "Prague Spring" and is now a leader of Charter 77. "Despite his very high intelligence and relatively good education, do not forget he is a man of that society and therefore of imperial views. He is leader of an empire. He will exact from this province that it deliver goods of better quality and keep quiet."

Yet, many East Europeans seem to find in Mr. Gorbachev the first Soviet leader to inspire hope that he will not react negatively to liberal stirrings in the Soviet bloc. Janos Kis, a philosopher and ideologist of Hungarian dissent, said: "For Eastern Europe, his policies mean more freedom, rule of law, tolerance for individual social movements and more respect for the laws of the market."

Mr. Kis pondered when asked whether he placed trust in the Soviet leader, then finally said: "Hope or trust are too personal terms. Let us say in my calculations he is an asset."

the system are for general application of Mr. Gorbachev's innovations, their countries have not followed his example. Where such transformations are applauded and to some extent practiced, this was the case before Mr. Gorbachev raised them to guiding principles. And where they are received skeptically, they have not been effectively applied.

The ouster in November of Boris N. Yeltsin as leader of the Moscow party organization after he had criticized the pace of Soviet reform as slow has encouraged the belief among many that strong commitment to the Gorbachev line would be premature.

"The whole event is shocking," said Rezzo Nyers, a leader of the Hungarian liberalization of 1968 and still a member of the Central Committee and parliament, although he was dropped from top party positions in the 1970s.

"East European reform will be influenced by progress or setbacks of Soviet reform," he said. "A setback will have a limiting impact. It will warn everybody to be more cautious."

The fact that Mr. Nyers spoke so candidly on a sensitive issue indicates the liberating effect of Mr. Gorbachev, at least in the sphere of political discourse.

From the opposite side of the gulf that separates the governments from the governed in Communist-ruled countries, Jerzy Urban, the Polish government spokesman, said: "The opposition was above all anti-Soviet. Now almost everybody wants to ride on Gorbachev's coat-tails."

East Germany contends that its economy, the Soviet bloc's most productive, has been in a state of continuous reform, and that the country has all the openness it can afford.

"This country is at a hypersensitive place in Europe," said a leading political columnist after a discourse on what he called West German interference. "More or less orderly conditions must prevail here. This is like a frontline state."

Bulgaria has ignored liberalization. But to enthusiastic imitation of economic restructuring, the country that is known as Moscow's most faithful follower has virtually dissolved its governmental, economic and party structures to fashion something new, of uncertain form and effectiveness.

Romania professes to have discovered the solutions to all major problems long ago and to be advancing toward them. Meanwhile, the nation is restive as years of extreme privation and repression roll on.

Despite hopes that Mr. Gorbachev has aroused, skepticism prevails among the ordinary people with whom a visitor has spoken in the six countries in the course of the last year. If anything, the freer atmosphere has made them more open in divulging their negative feelings.

A 20-year-old East German village carpenter who hitched a ride in Hungary, when asked what his country had taught him, answered, "to keep my trap shut." When asked what the West represented to him, he shot back, "To buy what I want and say what I want."

But then a young academic working in a party institute in Budapest, asked whether Mr. Gorbachev embodied hope for Hungarians, replied, "Can you show me another hope?"



READY TO TRAVEL — Hungarians lining up Tuesday outside Budapest's police headquarters to apply for passports under newly eased travel regulations. With a new travel document, called a "World Passport," Hungarians who want to go to the West will no longer need to obtain exit visas.

SOVIET: Stiff Critique Is Issued

(Continued from Page 1)

the new system had not been released from the powerful clutch of Moscow planners and ministries.

Government ministers still involved themselves in industrial decisions down to the level of individual shops, he said. Where once they did this by setting strict production quotas, he explained, they now do it through a system of "state orders," government contracts that get top priority.

Mr. Popov also identified state orders as a major flaw in the new system. During the first years of the new system, most factories will sell about two-thirds of their goods to the state through these contracts, and the rest in negotiated contracts with other business enterprises. The percentage is supposed to decline later.

The economist said that he and other reformers had argued for a strict limit on these state contracts, but had been defeated.

Mr. Popov added that while the annual production plans drafted in Moscow now are theoretically not binding, most factory managers

will still attempt to meet them because the ministries retain so much power. Among other things, the Moscow authorities still control what share of the profits a factory manager can put into special funds for bonuses, worker benefits, and development of his factory.

Thus under the system introduced last week — described by the slogans "self-financing," "self-management" and "economic accountability" — factory managers will remain preoccupied with satisfying their masters in Moscow rather than making sensible business decisions, Mr. Popov concluded.

As a result, self-financing will become a fiction, one will be able to acquire anything for their own development fund, everything will be taken by state orders," he wrote. "As a result, self-management will also, largely, become a fiction."

Although the next three years are supposed to be a transition period to more sweeping reforms, Mr. Popov questioned whether the country will be ready for the shift to stronger measures.

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Pete Maravich, 40, Dies While Playing Basketball

United Press International

PASADENA, California — Pete Maravich, 40, the greatest scorer in college basketball history and a former star in the National Basketball Association, collapsed during a pickup game and died Tuesday.

Mr. Maravich, known as Pistol

Byron Po
The Search
For Blue

Chicago

DOONESBURY

BACK IN THE TRACK OF...
IF YOU'RE...
TO THAT...
CAR... YOU...
WANT TO...
A NUMBER

BELL, RICK, LOOK AT IT...
WHEN IF YOU DON'T DO...
ONE FAR LESS SUITED...

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ARTS / LEISURE

Byron Pope: The Search For Blue Skies

By Mike Zwerin

BYRON POPE does not have a new album coming out, he has not won any polls, he's not touring the world and the Geneva newspaper, La Suisse has never run a feature on him.

He had gone into the U.S. Army Signal Corps out of a Louisiana high school during the Korean War. Stationed in West Germany, he learned to install emergency communications systems. His commanding officer encouraged him to continue his education and he studied electrical engineering in Los Angeles on the GI Bill. He worked for the Hughes Aircraft Co. for a year and figures his fingerprints are on at least one satellite.

Pope's troubles began when he decided to switch from electrical to musical energy. His father Robert wrote "That's All I Ask Of You" for Billie Holiday, and he started along with the Nicholas Brothers in the Broadway musical "St. Louis Woman," which gave Pearl Bailey her first break. When his single Le-guist Eddie "Chesthead" Wilson's band, John Coltrane rejected him, Pope finally yielded to the call of music, he didn't see how with that family background, he could miss. He was wrong.

For a while, his timing appeared to be good. Starting a career late as a professional saxophone player, he was mature enough to be prepared for a long haul and determined not to become another casualty. It was the 1960s, the so-called "free" jazz period. This music featured feeling before intellect and there was less, if any, repertoire to learn. It was based on inventing rather than learning forms; it could be played without a long learning process. The basic feeling being expressed was "black pride." Black studies programs were organized at the time and, having the intelligence to be able to verbalize the feeling, Pope taught at universities in Ohio, California and Canada.

Since there is no copyright on abstraction, the fear of plagiarism in the free jazz community ran deep. The American public could not figure which side was up with this music, and paranoia also ran deep. Pope turned down John Cage when the renowned composer asked him for a sample of his work to use as an example of the genre in

an article he was writing. He refused the same request from Cecil Taylor, one of his most respected peers, thinking: "I'm not turning anything loose. They're going to steal my music." His attitude and the entire scene were growing increasingly negative when he decided to move to Europe in 1972 to "get rid of my phobias."

One advantage of not understanding the language of the country you live in is not being burdened with small talk. Politicians and commercials are easier to ignore. Settling in France, in Annecy in the Haute Savoie, Pope felt liberated, free to continue the inner exploration he had begun when he became a vegetarian several years earlier. He studied yoga and meditation and became convinced of their organic function in musical improvisation.

He moved to Geneva and married a woman with Swiss citizenship. They still live there, with their three children. He has learned the language, become a legal resident and his wife has a good job with a multinational bank.

But there have been oen phobias to deal with. He found himself part of conformist society despite himself. His newly structured life paralleled the addition of structure to his free music, which made it no longer free. He accepted this as inevitable.

He was not alone. Taylor, Sun Ra, Steve Lacy, Archie Shepp and others were also structuring their abstractions to make the music more accessible. Still, Pope feels that the lasting value of free jazz is not fully appreciated. He hears evidence of it in films, on television, in classical music and rock. "The style was absorbed into the flow of modern music," he said. "That is why I did not turn away from the idiom but learned to express it in a clearer way, and to document it for my students. A lot of it wasn't preserved; it was pure improvisation. A lot of guys were branded as being violent — and the music could be violent — but we have to remember that the '60s was a period of social turmoil in our society. Jazz has always been a reflection of society, and these feelings naturally came out in the music."

Free jazz veterans, like Pope, Burton Greene, Barre Phillips, Bobby Few and Alan Silva, who



Pope: Jazz, yoga, inner consciousness and good ecology.

have settled in Europe live in a narrow band. Although they have influenced a long list of excellent European abstract improvisers — Albert Mangelsdorff, Michel Portal, Willem Breuker, Evan Parker, Han Bennink and Alexander von Schlippenbach, for example — the American expatriate veterans of the free jazz were tend to be taken for granted and overlooked by the exploding number of European jazz festivals. Not being native-born, they do not have the instincts in play indigenous grant games.

Byron Pope is determined to do something about it. "I've been writing letters to the Swiss Ministry of Culture and filling out the forms of the various European organizations that distribute subsidy money," he said. "I point out that they have foreign resident artists who are legal non and who have something to contribute. I have Swiss children, I have a stake in the Swiss society. I don't want my kids to grow up feeling they're second class citizens like I did in Louisiana. That's why I came over here in the first place. I believe I am an asset. I have something to offer this society. Some Swiss officials have the attitude like, 'If we loan you some money, you're going to take it and run.' That's not what it's about.

"Artists who leave their homes and settle in other places are like unpaid ambassadors. Japanese teachers teach karate better than anybody. The Chinese teach kung fu better than anybody. The French know how to teach cooking. An American teaches jazz better than anybody. I will always be an American. When I pull out my passport it's eagle-blue, when I play a concert they bill me as 'Afro-American' and that's it. But I'm not particularly interested in going back to the States. Commercial pressures are still very strong there. I have my own Swiss company. It's completely in the red, but I can publish music. I can release records, make films, book concerts.

That's a big plus. I want to use that structure to concentrate on spreading the total cultural impact of jazz.

"I would like to be able to tell my kids that it's cool — that the sky's going to be blue and the trees will be green when they grow up. There's been a marriage between jazz, cigarettes, booze and drugs going back a century. So now we're getting ready for a new century and I see jazz going together with vegetarianism, yoga, inner consciousness and good ecology."

Problems of an Artist in Exile

By Sheridan Morley

LONDON — Richard Nelson is the American dramatist who made his British name at the Barbican a year or so ago with "Principia Scriptoriae" about dissident writers behind the Iron Curtain. Now, with "Between East and West" at the Hampstead, he returns in a similar theme: that of Czech exiles in New York, imprisoned this time by their own inability to deal with culture shock. His play is very loosely based on his experience as literary manager of the Brooklyn Academy, when the director of "Between East and West," David Jones, was

THE LONDON STAGE

attempting to settle in New York with his actress wife Sheila Allen, who plays the actress wife in the script.

But the two exiles on stage are no longer English; instead he (John Woodvine) is a Prague film director fleeing an intolerant regime, dragging with him to Manhattan a wife who still yearns for her own career in the homeland. At its too occasional best, the play is an ironic commentary (complete with nudging neon signs flashed above the stage) on the problems of the foreign artist in an American theater which neither knows nor cares too much about his experience in a European police state.

Woodvine craggly conveys the wonder and the confusion of a first sighting of New York. However, "Between East and West" is also about a marriage in decay and a wife with Chekhovian longings to return if not to Moscow then at least to Prague, and it is here that it most often degenerates into a baleful two-character soap opera of political and marital dispossession. There is something to be said about the American theater's attitude to European plays and players, but Nelson seems not yet to have decided quite what it is.

Had Larry Shue not been killed in an air crash two years ago, he could have developed into one of the most intriguing of young American comic writers. Here we know him best for "The Nerd," a farce of social unease which Rowan Atkinson turned into a considerable personal success. Now another television star, Nicholas Lyndhurst of "Only Fools and Horses," takes Shue's last script "The Foreigner," which became off-Broadway's longest running comedy, and establishes at the Albany that it has one of the worst first acts and one of the best second acts in recent memory.



John Woodvine and Sheila Allen in "Between East and West."

The premise is simple enough. An unhappy husband with an apparently dying wife is taken by a mysterious military friend to a forest retreat in the wilds of Georgia (in the United States rather than the Soviet Union), where in order to achieve uninterrupted peace and quiet he decides to pose as a foreigner from a country with a language of total incomprehensibility. This fairly simple situation takes an

entire, desperately slow act to establish. But then, following the interval, Lyndhurst bursts into a kind of manic life, instructing others in his ludicrous vocabulary and looking increasingly like Buster Keaton on speed. "The Foreigner" springs into inspired and lunatic farce, which ends with a member of the Ku Klux Klan being made to disappear

while his astonished colleagues watch in amazement. The script has been very unceasingly Anglicized and still needs work, but I wish we could look forward to the next. At a time of Neil Simon gags and Alan Ayckbourn situation comedies, Shue was a genuinely anarchic writer of modern farce, and there have never been too many of those around.

Something seems to have gone awry at the London Palladium. Not only has that flagship of West End theaters been without a regular show for most of the last year, but while we await the Easter "Ziegfeld Follies," they are giving us a pantomime which would seem to have been cobbled together overnight on the backs of envelopes which were then mislaid by most of the cast.

This may be a little late in the season to start worrying about a truly ghastly Christmas show, even one destined in run for several more weeks, but the crucial importance of a pantomime is that it introduces hundreds of thousands of prospective theatergoers in the magic of a live show. If the management gets it as wrong as the current "Babes in the Wood," a good many of those children may never go back in the footlights again. And though any intelligent child will this winter be heading toward "The Wizard of Oz" at the Barbican or "Peter Pan" at the Cambridge, those who are unlucky enough to end up at the Palladium are in for a nasty shock.

Although upwards of £1 million (about \$1.88 million) has been spent on costumes and a set which manages a cascading fountain and a distastefully grotty grotto, no money or thought at all appears to have gone into the writing. Several television celebrities, led by a desperately unfunny double act called Cannon and Ball, drift around the scenery in search of a plot. But until you have seen Marti Webb dressed as St. George in shiny white plastic descending on a flying unicorn to sing an old love song of mind-bending awfulness, you can have no idea how to define true kitsch.

The sad thing is that lost in there somewhere are John Luman as the Dame, Barbara Windsor as the Fairy and Derek Griffiths as the Sheriff of Nottingham, all of whom know what pantomime is meant to be about, and all of whom should have known enough to stay clear of this choreographic stambles. A pantomime has to be written and directed, not just thrown on stage like an under-rehearsed charity concert.

Chicago Lyric Opera Weathers the Storm

By William E. Schmidt

CHICAGO — The snow that fell on Chicago last week snarled the city's airports and roads. Bot at the Civic Opera House, where the Lyric Opera is half-way through its most successful season, the big storm seemed barely a flurry.

Despite the weather, there wasn't an empty seat in the house for Monday night's performance of "Cool Fan Tette." For every ticket holder who could not make it, another patron was waiting at the box office, eager to claim the empty seat.

Seven years after it was rescued from the brink of financial disaster, the Chicago Lyric Opera is thriving, both economically and artistically.

The secret ingredient, according to the president of the Lyric's board, William B. Graham, is Ardis Krainik, a 57-year-old former schoolteacher and one-time aspiring mezzo-soprano who took over the Lyric in 1979, when its financial situation was so bleak it had to mortgage its scenery warehouse to meet a \$600,000 deficit.

At a time financial difficulties are afflicting arts organizations ranging from the New York State Festival, which is having to cut back productions, to the Detroit Symphony Orchestra, which has been mired in labor troubles and endured a 12-week strike this fall, the Lyric says it has built a

roster of more than 25,000 season ticket holders, 85 percent of whom were renewals from last season.

Attendance in the 3,600-seat, Art Deco Civic Opera House is averaging nearly 96 percent through the first three months of the current season.

And last fall, the company declared that its two-year drive to build a \$25 million permanent endowment and capital fund had topped out at \$26.5 million, including more than \$4 million contributed by Chicago corporations and \$12 million in private donations.

"Our story, unlike many of the operas we had a happy ending," said Graham.

Graham, who is the senior chairman of the Chicago-based Baxter Health Care Corp., said the success of the fund-raising drive was a measure of the standing the Lyric has attained as one of Chicago's most important civic and cultural institutions.

"In the eyes of some, Lyric Opera may have been seen as more elite and exotic than the Art Institute or the Chicago Symphony," Graham said. "Our challenge, and I think we succeeded in it, was to broaden that idea, to persuade corporations that opera is a vital part of Chicago and an important element in the city's cultural life."

Founded in 1954 by Carol Fox, the Lyric achieved international standing in its first season when Fox persuaded Maria Callas to

make her American premiere in Chicago in "Norma." But while Fox led the Lyric to a succession of artistic triumphs over the years, what critics described as profligate spending took its toll.

In 1978, for example, the company spent \$800,000 more than it had budgeted for the exotic staging of Krzysztof Penderecki's "Parade Lost." The next year, the Lyric spent \$1 million more than it raised on an elaborate year-long celebration marking the company's 25th anniversary, including company tours of Mexico and Italy.

When Krainik took over from Fox, who was ill and died six months later, she instituted tough cost controls to bring down spending and production budgets. She reduced rehearsal hours for the company's orchestra, trimmed the chorus and eliminated fluffs.

"To me, it's a great romance, to make the art and the hard figures work out," said Krainik. "Figures dance for me, they sing for me, when they come out right."

At the same time, however, Krainik insisted the Lyric continue its tradition of bringing in the best

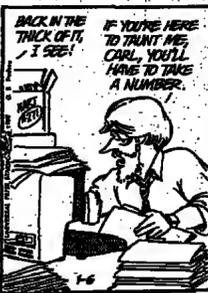
performers for its productions, a strategy that has made Luciano Pavarotti, Anna Tomowa-Slotov, Kiri Te Kanawa and Sberill Milnes familiar faces to operagoers.

The company's current budget is about \$17 million, of which about \$10 million will come from ticket sales, and about \$6.7 million from donations and fund raising. That money is in addition to \$26.5 million raised by Graham for the company's endowment.

This season, the longest in the company's history, has brought the Lyric critical acclaim. The nine-opera schedule has included "The Marriage of Figaro" and "Il Trovatore." "Tosca" opens this month, with the first three performances sold out. Renata Scotta and Milnes are in perform in the production.

The Lyric also produced two modern operas: Alban Berg's "Lulu," directed by Yuri Lyubimov, formerly head of the Taganka Theater in Moscow, and Philip Glass's "Satyagraha," based on Mohandas K. Gandhi's years in South Africa.

DOONESBURY



Dining Out section listing various restaurants in Paris and London with their addresses, phone numbers, and descriptions of their cuisines.

Save 40% advertisement for the International Herald Tribune. Includes a table of subscription rates by country and currency, and a list of participating countries.

Symbol	Vol.	High	Low	Last	Chg.
STRID	2200	29 1/2	29 1/4	29 1/2	+1/4
ARCH	1500	21 1/2	21 1/4	21 1/2	+1/4
AFB	1200	21 1/2	21 1/4	21 1/2	+1/4
AMT	1100	21 1/2	21 1/4	21 1/2	+1/4
AMBA	1000	21 1/2	21 1/4	21 1/2	+1/4
AMT	900	21 1/2	21 1/4	21 1/2	+1/4
AMT	800	21 1/2	21 1/4	21 1/2	+1/4
AMT	700	21 1/2	21 1/4	21 1/2	+1/4
AMT	600	21 1/2	21 1/4	21 1/2	+1/4
AMT	500	21 1/2	21 1/4	21 1/2	+1/4

NYSE 4 a.m. volume	NYSE adv. corp. close
209,738,000	209,738,000
NYSE adv. corp. close	209,738,000
NYSE adv. corp. close	209,738,000
NYSE adv. corp. close	209,738,000
NYSE adv. corp. close	209,738,000

High	Low	Close	Chg.
148.84	148.54	148.54	+1.14
172.49	172.00	172.00	+1.14
172.49	172.00	172.00	+1.14
172.49	172.00	172.00	+1.14
172.49	172.00	172.00	+1.14

Tuesday's NYSE Closing
Via The Associated Press

Class	Prev.
Advanced	100
Declined	100
Unchanged	100
Total Issues	100

Class	Chg.
Composite	+1.20
Industrials	+1.20
Finance	+1.20
Utilities	+1.20
Transport	+1.20

Symbol	Vol.	High	Low	Last	Chg.
WIND	1000	10 1/2	10 1/4	10 1/2	+1/4
OCOR	800	10 1/2	10 1/4	10 1/2	+1/4
WIND	700	10 1/2	10 1/4	10 1/2	+1/4
OCOR	600	10 1/2	10 1/4	10 1/2	+1/4
WIND	500	10 1/2	10 1/4	10 1/2	+1/4

Class	Chg.
Bonds	+0.25
Utilities	+0.25
Industrials	+0.25

Class	Prev.
Advanced	100
Declined	100
Unchanged	100
Total Issues	100

Day	Buy	Sell	'87
Jan 5	22,889	22,889	21,299
Dec 29	22,889	22,889	21,299
Dec 28	22,889	22,889	21,299
Dec 27	22,889	22,889	21,299
Dec 26	22,889	22,889	21,299

Open	High	Low	Last	Chg.
209,738	209,738	209,738	209,738	+1.14
172,490	172,490	172,490	172,490	+1.14
172,490	172,490	172,490	172,490	+1.14
172,490	172,490	172,490	172,490	+1.14
172,490	172,490	172,490	172,490	+1.14

High	Low	Close	Chg.
301.20	301.20	301.20	+1.20
301.20	301.20	301.20	+1.20
301.20	301.20	301.20	+1.20
301.20	301.20	301.20	+1.20
301.20	301.20	301.20	+1.20

Class	Prev.
Advanced	100
Declined	100
Unchanged	100
Total Issues	100

High	Low	Close	Chg.
272.48	272.48	272.48	+1.14
272.48	272.48	272.48	+1.14
272.48	272.48	272.48	+1.14
272.48	272.48	272.48	+1.14
272.48	272.48	272.48	+1.14

Tables include the nationwide prices to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month High	12 Month Low	Stock	Div. Yld.	PE	52 High	52 Low	Open	Close	Chg.
155	115	AA	1.2	15	155	115	155	155	+10
155	115	AA	1.2	15	155	115	155	155	+10
155	115	AA	1.2	15	155	115	155	155	+10
155	115	AA	1.2	15	155	115	155	155	+10
155	115	AA	1.2	15	155	115	155	155	+10

Dow Up 16 After 50-point Surge

NEW YORK — The New York Stock Exchange posted its second consecutive advance Tuesday, though a late round of profit taking cut into early strong gains that were produced by a sharply higher dollar. Trading was heavy. The Dow Jones industrial average, which rose 76.42 points on Monday, gained another 16.25 points on Tuesday to close at 2031.50. The Dow had jumped more than 50 points in the first half-hour and was ahead 33 points with less than an hour before the market closed.

The closing did, however, surpass the previous post-stock-market-collapse high of 2027.85, set Oct. 21, two sessions after the unprecedented 508-point plunge.

Advances led declines by 13-4 among NYSE issues traded. Volume rose to 209.52 million shares from 181.81 million on Monday.

Broad-market indexes also gained. The NYSE composite index rose 1.64 to 144.54 and Standard & Poor's 500-stock index rose 2.69 to 258.63. The price of an average share added 37 cents.

Despite the erosion of the day's early gains, analysts were encouraged by the advance, particularly the strong advance-decline ratio.

Chester Pado, director of technical research at Jefferies & Co. in Los Angeles, said it was "exceptionally good, especially following yesterday's sharp gains. Historically, it is normal to have a pullback, but in this case, the market held onto sizeable gains."

The market's two-day rise has been matched by strong performances in both the dollar and the bond market.

"The dollar alone is not causing all this buying," Mr. Pado said. "Foreigners may be more inclined to buy, but obviously there is a fair amount of domestic buying" as well.

"There is still a lot of cash out there," he said. "And there appears to be enough buying power" to keep the advance on track.

"This is clearly a follow-through from yesterday," said Ernie Rudner, manager of block trading at Mabon, Nugent & Co. "Some people feel the dollar has bottomed out, although that might be a little premature."

Mr. Rudner said there is new money being committed to the market by investors who sold stock at the end of 1987 and are now looking for undervalued situations.

"We might get a correction in the next day or two," he cautioned. "The market might be moving a little too far, too fast. I'd like to see the market up today, but not too much. This way people can adjust their profits and things won't get totally out of hand."

Sterling Drug was the most active NYSE-listed issue, up 1 7/8 to 74 1/4. Hoffman-La Roche & Co. offered Monday to buy Sterling for \$72 per share, or about \$4.2 billion.

Archer Daniels Midland followed, down 1 1/2 to 20 1/2, with Exxon third, up 1/4 in 40K. AT&T was up 1/4 to 28 1/2. IBM gained 1 1/2 to 121 1/2.

Among other blue chips, General Electric was up 1/4 to 46 1/4, American Express gained 1/4 to 24 1/4, Merck rose 1/4 to 16 1/4 and USX was ahead 1/2 to 32.

Prices were higher in active trading on the American Stock Exchange. The Amex Market Value index rose 5.03 to 271.77.

12 Month High	12 Month Low	Stock	Div. Yld.	PE	52 High	52 Low	Open	Close	Chg.
155	115	AA	1.2	15	155	115	155	155	+10
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155	115	AA	1.2	15	155	115	155	155	+10
155	115	AA	1.2	15	155	115	155	155	+10

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155	115	AA	1.2	15	155	115	155	155	+10
155	115	AA	1.2	15	155	115	155	155	+10
155	115	AA	1.2	15	155	115	155	155	+10
155	115	AA	1.2	15	155	115	155	155	+10

(Continued on next left-hand page)

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WEDNESDAY, JANUARY 6, 1988

MADISON AVENUE

Monitoring Service Finds Over-50s Vigorous, Vital

By PHILIP H. DOUGHERTY

NEW YORK — A third of the U.S. population is over 50 years old. The leading edge of the Baby Boom will reach that milestone in 1996. And the 50-plus set, while making up only about 35 percent of the population, has 50 percent of the discretionary income.

In the words of Ann Clurman, "They are a lot of people with a lot of money." Ms. Clurman makes her living keeping track of the wants, needs, desires and modes of living of great masses of people. She is a senior vice president with Yankelovich Clancy Shulman of Westport, Connecticut, a Saatchi & Saatchi marketing research company. And she is in charge of all its Monitor programs.

The 50-plus set, though only a third of the population, has half the discretionary income.

The regular Monitor program has been taking the attitudinal pulse of the general population for 17 years, issuing annual reports to interested marketing parties.

As Ms. Clurman put it, "We track social change and its effect on marketing." Last year, the company started a Youth Monitor. Its Senior Monitor is now operating and there are plans to start a Black Monitor and Hispanic Monitor next year.

Yankelovich's partner in the Senior Monitor is Senior Services Inc. of Wilton, Connecticut, which publishes large-type books and operates adult day-care centers.

Senior Monitor's data will come from two-hour, in-home interviews with 1,150 people 50 years old and older, selected at random nationally. The interviewers are asking questions like these:

- How do you feel about your age group's portrayal in advertising?
Are you brand-loyal?
Should all printing on menus and supermarket shelves be larger?
How will your life change when you have to give up driving?
Would you like to have your children living at home again?
Yankelovich is asking \$16,500 for each annual subscription to the Senior Monitor service. Package goods, travel and financial-services companies are potential targets.

According to Ms. Clurman, the company already knows through the regular Monitor that seniors are "out of the rocking chairs and leading vigorous and vital lives" and that "the social values of the kids in the 1960s have been transferred up to the parents rather than having parental values transferred down, as in the past."

In addition to the Monitors, Yankelovich offers strategic consulting and new-product forecasting, advises on corporate communications, and does strategic research, positioning and targeting.

Lois Pitts Gershon Pon, the Swiss-owned agency long favored by media accounts and currently serving USA Today and MTV, has now been chosen to promote Playboy magazine.

The budget, according to John A. Scott, president of Playboy Magazine Publishing Group, should be about \$1 million. The magazine parted several months ago from Smith, Burke & Azzam in Baltimore.

People

Gary C. Robert has joined Greenstone & Rabasca Advertising of Metville, Long Island, as executive vice president in charge of client services. William Seides has been named executive vice president of New York Shelter Media, which constructs and maintains New York's bus shelters and markets the ad display panels.

Debt Hits Jakarta's Budget

37% Is Allocated For Repayment

Compiled by Our Staff From Dispatches

JAKARTA — Indonesia announced Tuesday a 28.9 trillion rupiah (\$17.5 billion) austerity budget for 1988-89, under which foreign debt payments will total more than 50 percent of current expenditures and nearly 37 percent of all government spending.

President Suharto, detailing the budget in a nationally televised speech to Parliament, warned that "the coming fiscal year will remain a difficult year."

Debt payments in the fiscal year beginning April 1 will total \$6.4 billion, up 56.5 percent from 1987-88. Mr. Suharto cited "appreciation of the Japanese yen and a number of currencies from European countries vis-a-vis the U.S. dollar."

About 40 percent of Indonesia's domestic revenues come from oil and gas exports priced in dollars.

The budget, a 27.1 percent increase over that of the current fiscal year, is predicated on an average price of \$16 a barrel for Indonesian oil, now sold at an OPEC-linked price of \$17.50 a barrel.

Mr. Suharto said that the lower price assumption did not mean that Indonesia would deviate from its OPEC agreements but represented a "cautious and realistic attitude."

He said that, as a result of recent measures, the value of non-oil and gas exports now exceeds that of oil and gas. "This is a new development of the greatest significance," he said, "because it started to happen for the first time since we began to carry out development."

Non-oil domestic revenues are forecast to rise to \$7.8 billion, from this year's \$6.2 billion.

The budget left virtually nothing for the depressed economy. Hardest hit were four million civil servants and members of the armed forces, whose salaries will be frozen for the third consecutive year. Mr. Suharto said they could not expect a pay raise before March 1989 unless the economy improved.

Mr. Suharto said priority would be given to maintaining infrastructure projects, agriculture, education and tourism. No new projects would be started, senior officials said at a briefing. (UPI, AFP)



Jackson T. Stephens, 64, above, co-founded the firm with his elder brother, Wilton R. They built a wheeling, dealing empire that had full or partial interests in natural gas production, a data processing company, farming, cattle and a host of other enterprises, but had little to do with the brokerage business.

An Arkansas Giant Changes Course

Stephens Inc. Shifts Emphasis to Investment Banking

By Thomas C. Hayes

DALLAS — For years, the financial world considered Stephens Inc. something of an anomaly. The privately held brokerage firm in Little Rock, Arkansas, had \$500 million in capital — as much as many of the big Wall Street houses — but it was neither a broker that controlled giant pools of money nor an investment banker for scores of major corporations.

What Stephens Inc. was best known for was the savvy investments and wheeling and dealing of its longtime head, Jackson T. (Jack) Stephens. The far-flung empire built by him and his older brother, Wilton R., who is known as Witt, included full or partial interests in natural gas production, a data processing company, farming, cattle and a host of other enterprises.

Indeed, last summer it became clear that most of the brokerage firm's capital had little to do with that business. Jack and Witt Stephens, aged 64 and 79, respectively, had put most of their family's interests, amounting to \$400 million, into a separate holding company. That left the brokerage and investment banking operation with about \$100 million in capital — still enough to rank among the largest regional firms in the United States.

But more than the size of Stephens Inc. has changed since Warren A. Stephens, 30, Jack's son, began running the business more than two years ago.



Warren A. Stephens, 30, became president and chief executive of the firm two years ago.

Under Jack Stephen's free-wheeling approach, the firm lured many well-regarded financial experts and securities analysts to Little Rock, said one investor who asked not to be identified. That was because they saw the opportunity to make millions, as Jack Stephens had, by investing in deals he generated and that were handled by the brokerage firm. Some stayed and grew rich, while others accustomed to the ways of big cities did not remain long in Little Rock. Now Stephens Inc. is acting more like a conventional securities firm, concerned with gaining clients and handling more investment banking deals. Warren Stephens seems as consumed with strengthening the base of the Stephens empire as his father was in using it as a vehicle for his own interests. "The job of a second generation of wealth is often preservation of assets, rather than exhibiting the flair that created them," said one broker who is familiar with the firm. "Warren wants to make money for the firm, but he wants to do it by lots of transactions rather than riskier ventures. The place has changed a great, great deal."

For his part, Warren Stephens said his emphasis has been "to sharpen our pencils and be as efficient as we can." He maintained he has not made many changes because "my father and uncle were two very well-respected and successful people who built a good organization."

But expansion of the Stephens empire continues under the holding company umbrella. Last week, the Stephens family agreed to buy a 13.7 percent stake in Worthen Banking Corp. of Little Rock from a father-and-son investment team, Mochtar and James T. Riady of Jakarta. They are the Stephens' partners in a Hong Kong-based finance company and other East Asian interests. The Stephens' purchase will See STEPHENS, Page 11

Sterling Shares Soar on Offer

La Roche's \$4.2 Billion Bid Could Signal Takeover Wave

Compiled by Our Staff From Dispatches

NEW YORK — The stock price of Sterling Drug Inc. soared more than \$17 a share on Tuesday after Hoffmann-La Roche & Co., the big Swiss drug producer, opened a \$4.2 billion cash tender offer for all of the company's common shares.

Hoffmann-La Roche's chairman, Fritz Gerber, said late Monday that he had detailed a \$72-a-share offer in a letter to John M. Pietruski, Sterling's chairman. He said that Mr. Pietruski had refused earlier to meet with him.

A spokesman said the company would not comment on the bid, but analysts noted that Mr. Pietruski has said several times that Sterling prefers to remain independent.

If successful, the takeover would boost the combined company to among the world's top five pharmaceutical concerns. Analysts said that total worldwide sales, including nontax revenue, would come to about \$8 billion.

Sterling stock rose \$17.25 to close at \$74.125 on the New York Stock Exchange amid speculation that a bidding war could drive the shares higher. It was the most actively traded issue on the exchange.

Traders and analysts cited the possibility that Sterling would hold out for a bigger offer, or seek a so-called white knight to help it resist Hoffmann-La Roche. Sterling is the maker of Bayer aspirin, Phillips Milk of Magnesia and other pharmaceuticals.

The offer also could signal a wave of takeovers for U.S. drug companies, particularly from foreign drug makers as cheap because of the October stock market crash and the falling dollar, analysts added.

Investors agreed, and pushed the shares of a number of drug companies sharply higher on Tuesday amid speculation that the bid for Sterling would encourage further consolidation of the industry.

In recent days, another European pharmaceutical company, Sanofi SA, made an offer for A.H. Robins Co., the troubled American concern.

Mr. Gerber implied that Hoffmann-La Roche would go through with the offer regardless of Sterling's response. The bid "is not contingent on financing, due diligence or further review" of Sterling's business, he said in the letter. "We intend to go forward with a tender offer — we hope it can be done friendly," said Freddie Spar, a Hoffmann-La Roche spokesman. He said that financing was available from internal cash or bank lines.

The deal would significantly boost Hoffmann-La Roche's market share and consumer presence in the lucrative U.S. market, analysts See STERLING, Page 11

Table with 2 columns: Metric and Value. Includes Profit, Sales, Equity, Return on equity, Earnings per share, Total assets, Current assets, Current liabilities, Long-term debt.

Table with 2 columns: Metric and Value. Includes Profit, Sales, Equity, Return on equity, Earnings per share, Total assets, Current assets, Current liabilities, Long-term debt.

Currency Rates

Table of currency rates for various countries including Amsterdam, Brussels, Frankfurt, London, Milan, New York, Paris, Tokyo, Zurich, and ECU.

Table of other dollar values for various currencies like Australia, Canada, Hong Kong, India, Japan, Korea, etc.

Interest Rates

Table of forward rates for various currencies and terms.

Key Money Rates

Table of key money rates for US, Japan, and West Germany.

U.S. Money Market Funds

Table of U.S. money market funds including Merrill Lynch Ready Assets, Telestar, etc.

Gold

Table of gold prices in various locations like Hong Kong, London, etc.

In New Merger Climate, Junk Withers and Strategy Blooms

By Leslie Wayne

NEW YORK — The fall of the stock market is rewriting the rules of corporate takeovers. Gone are the swashbuckling raiders who used junk bonds to plunder the business landscape. Instead, Wall Street is expecting a return to normalcy: to the days when corporations merged for strategic reasons, not for quick financial gain.

This year is expected to be a robust one for corporate takeovers now that a depressed stock market has lowered the price tag of business assets. The biggest players will be those with the biggest purses — cash-rich corporations and prosperous foreign buyers — and the highly leveraged deals that relied on huge borrowings will be out.

At the same time, fears that the lenient antitrust climate of the Reagan administration could soon end will create pressure to complete mergers of major companies in the same industry.

"We're marking a change between the time when the raiders were flying high and a time when we return to a more normal deliberative investment environment," said Ronald Freeman, head of mergers at Salomon Brothers.

Michael Metz, a portfolio strategist at Oppenheimer & Co., said, "The funny-money raiders are out of the business." The Oct. 19 plunge of the stock market has taken its toll. In its immediate aftermath, takeover activity virtually halted as buyers and sellers failed to agree on what constituted a fair price. The jittery climate also becalmed the junk bond market, a major source of takeover financing, as investors fled to less risky securities.

Even now, nearly three months later, that uncertainty remains. From Oct. 19 to year-end, only about \$16.5 billion in takeover transactions closed — a marked drop from the pace earlier in the year, when \$13.5 billion worth of deals were completed, according to Mergers & Acquisitions magazine. Perhaps the best reflection of the changing climate was Southland Corp.'s \$5.1 billion attempt to become a private company. That deal was pulled from the market in November after investment bankers found it to sell junk bonds needed to finance the purchase of Southland's public shares.

If junk bonds are used at all, it will be in limited doses and as part of a unit of securities that will also give investors a form of equity as well, investment bankers say. Indeed, new junk bond offerings have virtually dried up since the stock market's collapse.

This year may well be the year of the big boys, whether cash-rich corporations or cash-rich raiders. One of the biggest pushes is expected to come from large, well-capitalized corporations that feel compelled to consolidate within their industry before the Reagan administration, and possibly its relaxed antitrust stance, ends.

"I think we will see some very significant strategic acquisitions both in terms of market position and size," said Robert Lessin, a managing director at Morgan Stanley & Co. "A number of companies want deals done that will last them for the next 50 years, and they feel they have 13 months to get them done."

The trend had already begun in 1987 with the mergers of Chrysler and American Motors, Emery and Purolet, Loral and Good-year Aerospace, USAir and Piedmont, First Interstate Bancorp and Allied Bankshares and dozens of others. Among the industries that investment bankers expect will undergo further consolidation this year are computers and electronics, financial services, energy, steel, farm equipment, textiles and consumer products.

Movie Companies Buying Theaters

A number of the country's largest film studios have spent about \$800 million during the last two years to acquire or become major investors in movie theaters. Number of screens reflects the current estimated total of screens in the theater company.

Table showing movie companies buying theaters, including MCA, Gulf & Western, Cannon Group, etc.

Includes the pending purchase of a Washington theater chain with 80 screens. N.A. — not applicable. Purchases pending court approval. If completed would give Warner a 50 percent interest in Gulf & Western's theater holdings.

As U.S. Moguls Buy Up Theaters, A Home-Video Generation Shrugs

By Andrew L. Yarrow

NEW YORK — Nearly four decades after the U.S. Supreme Court ruled that it was a violation of antitrust laws for big Hollywood studios to own movie theaters, some of the largest film distributors have acquired interests in about 14 percent of North America's movie screens.

The debate focuses on whether it really matters for consumers. Some independent theater operators say it does. They argue that they might be squeezed out of the market, which would make it harder for films from smaller producers to find an outlet.

But others, including the studios and Justice Department officials, dismiss such concerns. They contend that the proliferation of movie screens and independent distribution companies, along with the emergence of home video and cable television, means there is little danger that competition will be reduced.

Encouraged by some signals of leniency from the Justice Department on antitrust matters, Hollywood began to re-enter the movie-theater business in 1985. That was the year that Columbia Pictures bought the New York-based Walter Reade chain, which it sold this year to Cineplex Odeon Corp.

The pace picked up early last year when MCA Inc., the parent of Universal Pictures, paid about \$160 million for 48 percent of Cineplex Odeon, which now has about 1,600 screens. Gulf & Western Inc., which owns Paramount Pictures and the 430-screen Famous Players circuit in Canada, joined the fray between July and October 1986, spending about \$300 million on three circuits with 800 screens. Cannon Group Inc. bought the 425-screen Commonwealth Theaters in 1986. Tri-Star Pictures Inc., which merged last week with Coca-Cola Co.'s entertainment operations, including Columbia Pictures, bought Loews Theaters' 300 screens for about \$300 million.

New Warner Communications Inc., owner of Warner Brothers studio, has just received government approval and is awaiting court approval to buy a 50 percent stake in Gulf & Western's theater operations for about \$150 million. Traditionally, the price paid for theaters has been about five times cash flow, but the Mann and Loews chains sold for about 10 to 12 times cash flow.

Chile Devalues Peso by 4% to Boost Growth

The Associated Press

SANTIAGO — Chile has devalued its peso by 4 percent to boost exports and speed economic growth, and has ordered a reduction of customs duties.

Finance Minister Hernán Bichi blamed the moves, announced late Monday, on "a growing protectionism in certain foreign markets," and specifically mentioned a recent U.S. decision to suspend the duty-free status given some Chilean imports. The Reagan administration alleged that Chile's military government is violating workers' rights.

The reduction in customs duties, to 15 percent from the previous 20 percent, would minimize the inflationary impact of the weaker currency on import prices, Mr. Bichi said.

The peso was lowered against the U.S. dollar to 243.97 pesos from 234.48 pesos on Monday. Helped by higher copper prices, Chile produced a \$1.09 billion trade surplus last year, while the economy, as measured by gross domestic product, grew 5.4 percent. GDP is the value of goods and services excluding foreign investments.

Advertisement for The Cheshirefield, a quiet elegance in London's most fashionable setting.

Advertisement for Japanese Relief, while Wall Street frets about Japanese buying, Indigo has been competition into emerging U.S. companies.

Tuesday's NYSE Closing

Tables include the nationwide prices up to the closing on New York and do not reflect late trades elsewhere.

Table with columns: 11 Month High Low, Div. Yld. PE, Stock, 11 Month High Low, Div. Yld. PE, Stock. Lists various stocks and their performance.

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U.S. Futures

Table with columns: High, Low, Open, High, Low, Close, Chg. Lists various futures contracts like Wheat, Corn, Soybeans.

Currency Options

Table with columns: Phila Exchange, Jan 5, Puts, Last. Lists various currency options like British Pounds, Japanese Yen.

Livestock

Table with columns: High, Low, Open, High, Low, Close, Chg. Lists various livestock prices like Cattle, Hogs, Sheep.

Metals

Table with columns: High, Low, Open, High, Low, Close, Chg. Lists various metal prices like Copper, Aluminum, Zinc.

U.S. Treasuries

Table with columns: High, Low, Open, High, Low, Close, Chg. Lists various U.S. Treasury securities.

Stock Indexes

Table with columns: High, Low, Open, High, Low, Close, Chg. Lists various stock market indexes.

Crude Oil Prices Rise On OPEC Reports, Cold

NEW YORK — Oil prices firmed Tuesday. Analysts cited weather-related demand in the United States, an artificial shortage of Britain's North Sea Brent crude and optimism that OPEC members will curtail excess production to defend their \$18-a-barrel price.

AMEX High-Lows

Table with columns: NEW HIGHS, NEW LOWS. Lists various stocks traded on the AMEX.

Paris Commodities

Table with columns: High, Low, Close, Ask, Bid. Lists various commodity prices from Paris.

London Commodities

Table with columns: High, Low, Close, Ask, Bid. Lists various commodity prices from London.

Dividends

Table with columns: Company, Dividend, Ex-Dividend Date. Lists various companies and their dividends.

Spot Commodities

Table with columns: Commodity, Today, Prev. Lists various spot commodity prices.

On the New York Mercantile Exchange

West Texas Intermediate, the U.S. benchmark, rose 16 cents to \$17.85 a barrel for February delivery. Monday, it had gained 99 cents a barrel after the oil minister of the United Arab Emirates was quoted as saying his country would not sell crude below \$18.

S&P 100 Index Options

Table with columns: Price, Call, Put, Last, Bid, Ask. Lists various S&P 100 index options.

London Metals

Table with columns: High, Low, Close, Ask, Bid. Lists various metal prices from London.

Company Results

Table with columns: Company, Revenue, Net Income, Per Share. Lists various companies and their financial results.

U.S. Treasuries

Table with columns: High, Low, Open, High, Low, Close, Chg. Lists various U.S. Treasury securities.

DM Futures Options

Table with columns: Strike, Call, Put, Bid, Ask. Lists various DM futures options.

Large advertisement for 'Saturdays Get Friday's Closing Prices' with a stylized logo and promotional text.

BUSINESS ROUNDUP

Pernod to Buy Back 5% of Stock

PARIS — Pernod-Ricard will buy back about 5 percent of its stock and then reduce its overall capital by an equivalent amount, the beverage group's chairman, Patrick Ricard, said Tuesday. He also said that the company was negotiating with Coca-Cola Co. to terminate Pernod's production and distribution agreement for Coca-Cola products in France. He said that his company's sales of Coca-Cola products, including Coca-Cola, Fanta and Sprite, totaled 1.43 billion francs in 1987 but that the two companies disagreed on ways of developing Coca-Cola brands in France. Pernod-Ricard is one of France's leading drinks groups, with a range of products including several pastis drinks, wines, fruit drinks, whiskies and the Bisquit cognac house. The moves come at a turbulent time in the French drinks industry, as Seagram Co. of Canada and Grand Metropolitan PLC of Britain battle for control of the cognac maker Martell & Compagnie. Pernod's buyback is meant to head off a hostile takeover, as foreign beverage companies look to acquire makers at the high end of the market. Mr. Ricard said that the company would buy 515,000 of its shares at 678 francs (about \$125) each. The group's capital consists of 10.3 million shares with a nominal value of 80 francs each. He said that the company's small debt level, together with the low prices on stock markets since the October crisis, had made the buyback possible. He noted, too, that the move would help boost Pernod's share price, which crashed from a high of 648 francs to 614 francs on Monday after the market collapse. Pernod's shares were suspended in Bourse trading on Tuesday at 684 francs, up 6 francs from Monday's close. Market analysts said it was unclear Pernod faced any immediate threat of a takeover. They said that members of the board already own about 40 percent of the capital, with a further 10 percent held by the group's subsidiaries. For the first nine months of 1987, Pernod's sales rose 8 percent, to 8.07 billion francs from 7.47 billion in the 1986 period.

Sears Raises Freemans Offer; \$477 Million Bid Is Spurned

LONDON — Sears PLC raised its cash offer for Freemans PLC to \$477 million (\$858 million) on Tuesday. But Freemans, which rejected the \$430 million bid Sears made Dec. 11, spurned the revised proposal as well. Sears said that its offer for the mail order group would not be raised again unless another bidder entered the picture. The new bid is to close Jan. 22. The sweetened cash offer is for 315 pence a share, compared with the original bid of 285 pence a share. Freemans shares closed Monday on the London Stock Exchange at 298 pence each and were trading at 311 pence just before the new proposal was announced. Sears' shares closed the day unchanged at 131 pence. Sears shareholders approved the higher bid at a special meeting Tuesday, the company said. The retailer, whose holdings include shoe stores and the Selfridges department store in London, already has a 10.6 percent stake in Freemans. A rival mail order group, Great Universal Stores PLC, owns 10 percent stake of Freemans. The revision in no way alters the board's conviction that the long-term interests of shareholders will best be served by staying with Freemans, Freemans said Tuesday.

BP Forecasts 1987 Profit of £1.3 Billion

LONDON — British Petroleum Co. said Tuesday that it expects 1987 profits to total about £1.3 billion (£2.3 billion), up from earlier forecasts. In October it had predicted that 1987 earnings on a replacement-cost basis would amount to £1.25 billion. Both figures are for profit after tax and minority interests but before extraordinary items. BP said that a corresponding profit figure on a historical cost basis would be about £1.35 billion, down from the previous estimate of £1.45 billion. The figure would result in earnings of 24.2 pence a share, compared with the previous forecast of 26 pence. BP, which bought Standard Oil Co. last year and launched a bid for British Oil, is now the third-largest oil company in the world. It said it was making the forecast because the government share-support program for its partly paid shares was ending. The program, which has supported the shares at 70 pence, ends on Wednesday. BP's previous forecasts were contained in the offering document for the government's £7.2 billion sale of its remaining stake in the oil company. Since that forecast, BP said, lower crude oil prices and the weakening of the dollar have changed the outlook. The company said that its forecasts were based on unaudited financial statements for the first nine months of 1987, and other data for the last three months of the year. It said that the forecast assumed no change in crude oil and oil product prices in the markets in which the company operates. It also assumes no other events that would require it to make other adjustments on its balance sheet. After taxes and minority items but before extraordinary items, BP had historical cost profit of £817 million in 1986. That came to 44.6 pence a share before a share split, and 14.9 pence after the split. On a replacement-cost basis, the 1986 profit came to £1.78 billion. Because of the stock market collapse, underwriters were stuck with most of the BP shares sold by the government in October. But the Kuwait Investment Office has been building a stake in the company. The office, the London-based investment arm of the Kuwaiti government, said Monday that it had bought another 18.5 million shares on Dec. 31, raising its stake in BP to 18.34 percent.

STEPHENS: Shift From Wheeling and Dealing to Investment Banking

(Continued from first finance page) raise their stake in Worthen to 31 percent. The bank holding company, with assets of \$2 billion, is the largest in Arkansas; two years ago it drew a reprimand from the U.S. Comptroller of the Currency for giving the Stephens' preferential terms on loans. No fine was assessed and the "problems were corrected," said Dean DeBock, a spokesman for the Comptroller's office in Washington. Few outside the firm know how profitable the Stephens securities business is. Warren Stephens declined to disclose those figures, adding that he likes to emphasize cost controls. The firm has no offices other than its headquarters in Little Rock, he pointed out. Mr. Stephens, who studied economics at Washington and Lee University and got a Master of Business Administration degree from Wake Forest University in 1981, joined the family business that year, managing the capital markets group before succeeding his father in 1986. Although Stephens Inc.'s payroll has more than doubled, to 325, in the last four years, he said that he did not foresee any job cutbacks in the years ahead, which may belie the financial services industry. "I really think the industry is headed for hard times, but the opportunity is there for us to expand," he said. The job of a second generation of wealth is often preservation of assets, rather than exhibiting the flair that created them, said one broker familiar with the firm. He said most of his business is carried out with corporate and government financial officers, rather than individual investors. Traditionally, the firm has been a regional powerhouse in municipal finance deals. The Stephens corporate finance staff, expanded to 20 from 5 in recent years, is bidding to help raise money or sell divisions for companies with a market value of up to \$1 billion, he said. Last year, it raised \$1.3 billion for ICH Corp. to purchase two life insurance companies. It also managed a \$500 million offer by Arka Inc. for its pending purchase of Entex Inc. The group also has managed the initial public offerings for two well-known Arkansas companies, Wal-Mart Stores Inc., the discount retailer, and Tyson Foods Inc., the largest U.S. poultry producer. Out of state, Stephens raises money for Beverly Enterprises, a California concern that is a major operator of nursing homes, and Irwin Jacobs, the Minneapolis investor. One unit in its financial services group, Stephens Link, manages a discount-brokerage service for 160 large and small banks, an area that Mr. Stephens said he is eager to expand. The firm's capital-management group handles \$350 million of private investors, pension funds and other institutions. The October stock market collapse did not damage the firm, except for the subsequent publicity it received from the tragic acts of a former employee. Three days after he was discharged from Stephens on Nov. 13, John Markle, a one-time economist at Salomon Brothers, shot and killed his wife and two young daughters, then turned a handgun on himself. He was 45 and had been at Stephens since 1979. The firm never publicly explained his dismissal, although there was speculation in local news accounts that Mr. Markle, whose job was to trade futures with the firm's money, might have embezzled some profits. Jack Stephens, who remains the firm's chairman, declined to elaborate on the dismissal, but said the firm did not lose much money from any of Mr. Markle's dealings. The Stephens family easily ranks among the U.S. financial elite. Forbes magazine estimated the value of assets controlled by Jack and Witt Stephens at more than \$1 billion.

THEATERS: Studios Buy Again

(Continued from first finance page) of having more control. But even with the terrific year so far, when the instant payments cash up, they may have a change of heart. Jerry Esbin, Tri-Star's executive vice president for domestic distribution, insists that "we bought the theaters because they were a good investment." "We didn't need Loews theaters to show our pictures," he said. "But many industry analysts, smaller distributors, theater operators and antitrust lawyers say that distributors see special benefits in owning theaters. Studios want a direct share of box-office revenues," said Roy Hong, an analyst with First Boston Corp. "But they're also buying theaters because it's possible to reap benefits from playing their lesser titles in their own theaters as long as possible." Mr. Hong said that the studios had not abused their power. The acquisitions are still "a very sensitive issue," he said, "and studios the far have been very careful to give theater management independence for fear of antitrust action." During Hollywood's heady days of the 1920s, '30s and '40s, many studios owned theater chains, providing an automatic outlet for their films. In 1938, the Justice Department invoked the Sherman Antitrust Act against the five major integrated companies — Paramount, Loews-MGM, Warner Brothers, 20th Century-Fox and RKO — and three companies that did not own theaters — Columbia, Universal and United Artists. They were charged with price-fixing and conspiracy in attempts to drive independent exhibitors out of business. Records from what came to be known as the Paramount case indicate that the five major defendants had interests in about 17 percent of America's 18,000 theaters, a proportion very close to the current theater holding of large distributors. After a decade of litigation, the Supreme Court found that the Sherman Act had been violated. A series of consent decrees were handed down ordering distributors to get rid of their theaters and precluding all but Paramount from acquiring theaters without court approval. Columbia, Universal and United Artists, the three "minor" defendants, were not barred from acquiring theaters. Justice Department officials and lawyers for some theater operators now argue that the movie business has changed drastically and that the concerns of 40 years ago are no longer valid. In their view, the popularity of videocassettes and cable television means that studios can no longer monopolize the movie market simply by controlling theaters. In 1984, the Justice Department offered to support the big distributors if they sued to get back into the theater business. "From our standpoint, the decrees have outlived their usefulness," said Charles F. Rule, the assistant attorney general in charge of the antitrust division. "Vertical integration does not necessarily have any anti-competitive effect. In fact, it may make sense to make movie theaters more attractive to compete with video and pay TV." It is possible that others, including smaller distributors and theater operators, could go to court. But so far, they have only grumbled. Even if a legal challenge were mounted, it probably would not have much of an impact on the acquisition trend, according to some antitrust lawyers. For one thing, many distribution companies that are not subject to the decrees have entered the business in the last 35 years. Moreover, the Supreme Court did not rule that vertical integration per se was illegal, according to Gerald F. Phillips, a senior partner with Phillips, Nizer, Bojamine, Krim & Balloo and a former vice president of United Artists. The legality of producer-distributors owning theaters, he said, depends on whether their intent is to monopolize all stages of the motion picture business.

Shell Makes Bid For Singapore's Petrochem Stake

SINGAPORE — Shell International Chemical Co. has offered to buy the government's entire 50 percent stake in Petrochemical Corp. of Singapore Pte. Ltd., which owns the big Pulau Ayer Merbau petrochemical complex, a state investment company said Tuesday. Details were not disclosed. Temasek Holdings Pte. said the government was reviewing a bid for that stake and its holdings in four downstream companies. It owns 30 percent of Polyolefin Co., 50 percent of Ethylene Glycols Singapore Pte. Ltd., 25 percent of Phillips Petroleum Singapore Chemicals Pte. Ltd. and 20 percent of Decca Singapore Pte. Ltd. PCS uses naphtha and liquefied petroleum gas feedstocks to make ethylene, propylene, acetylene and isobutylene. Shell would take over payments on the equivalent of \$434 million in loans, sources said.

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Sony Raises U.S. Prices, Cites Dollar's Fall

WASHINGTON Post Service WASHINGTON — Sony Corp. of America, one of the largest U.S. sellers of electronics equipment, has announced increases for many of its consumer and professional product lines, citing the dollar's recent fall. Sony said it would raise the suggested retail prices on a range of its popular products by 5 to 7 percent, following increases of 5 to 20 percent on selected items last fall. Similar action by Sony's competitors and other major foreign suppliers could pressure a new job inflation for the U.S. economy. According to Data Resources Inc. of Lexington, Massachusetts, Japanese car makers have raised their prices about 8 percent for the new 1988 model year, compared with 10 to 12 percent increases by West German automakers. The consulting group estimates that in 1987, prices of imported consumer goods of all types rose 9 percent, imported cars 7 percent, industrial supplies 11 percent, capital goods 1 percent, and everything else 7 percent. It is unclear how Sony's announcement would affect consumer prices in the intensely competitive consumer electronics market. The Matsushita group, the largest Japanese electronic goods producer, raised U.S. prices on selected goods last summer and again in November. A spokesman said Monday that the company has no plans for further increases, but will "watch the situation carefully." Suggested retail prices normally function as a benchmark against which dealers offer discounts. How much of the higher wholesale prices will be passed on to customers will be up to individual retailers. Sony said suggested retail prices of certain television sets with screens of 20 inches and over would rise an average 5 percent. Prices of audio products would rise 6 percent, with Betamax videocassette decks going up at a somewhat lower rate, while prices of most professional products would jump by 7 percent. Further rises, for audio tapes, will go into effect in the spring, Sony said. "Economic events in recent months have created an absolute necessity for price rises to supplement those normally built into model changeovers," said Neil Vander Dussen, Sony's U.S. president. This was needed, he said, to maintain "an acceptable and realistic level of profitability." In the first quarter of the current fiscal year, Sony's American sales fell 6.8 percent from the year-earlier period and accounted for 30.8 percent of the total of the parent company, the giant Sony Corp. of Japan. For the entire company, profit fell 59 percent from the year earlier, to 3.38 billion yen (then \$23.6 million). The company attributed the declines to the weakened dollar and said in August that it was considering moving 25 percent of its production out of Japan to compensate for the currency fluctuations. Since February 1985, the dollar has fallen more than 50 percent against the Japanese yen and the Deutsche mark, coaxed along by the Reagan administration in the hope that a cheaper dollar would make American-made goods more competitive on world markets and slow the flow of imports into the U.S. economy. Despite the dollar's dramatic decline, however, retail price increases of many Japanese products in the United States have not kept pace, particularly in electronics. "They've been trying to hold down prices, but in the process are taking a big hit on profits," said David Wynn, chief financial economist for Data Resources. This is standard operating procedure in Japan's corporate culture, which tends to stress market share rather than profits.

Braniff Inc. And Pan Am Unions Talk

DALLAS — Braniff Inc. has renewed its negotiations with Pan Am Corp.'s unions in an attempt to gain wage concessions necessary for a merger of the two companies, a Braniff official said Tuesday. But the official, vice chairman Patrick Foley, gave the Dallas-based airline only a 20 percent chance of winning approval to take over financially troubled Pan Am. A source close to Pan Am's board said an earlier proposed deal between Braniff and Pan Am was "dead," but added that the pilots union, considered to be the key labor group at Pan Am, may be reconsidering Braniff's offer. That offer, withdrawn two weeks ago, was contingent on Braniff obtaining \$800 million in wage concessions over four years from Pan Am's five unions. The pilots had rejected the offer. Pan Am said it had been told by a representative of four of its main unions that agreement would be reached soon on a package of labor concessions the company sought. It also said that, in a meeting Tuesday, its board of directors had indicated an intention to make changes in Pan Am's senior management after a labor settlement. A union official earlier confirmed reports that the board was considering replacing the chairman, C. Edward Acker, and possibly the vice chairman, Martin Shugart.

Chevrolet Drops Prices on Trucks

NEW YORK — General Motors Corp. lowered suggested retail prices on its Chevrolet light trucks by an average 0.4 percent, or about \$200, on Tuesday, in an effort to bring prices in line with competitors'. Chevrolet officials said the cuts cover models making up about two-thirds of its truck sales, and range to \$400 below tentative 1988 prices, with a few adjusted increases. Chevrolet said it hoped to raise sales to 1.7 million cars and 1.3 million trucks from about 1.6 million cars and 1.2 million trucks in 1987. Last year, for the first time since 1959, it fell behind the Ford division of Ford Motor Co. in total car and truck sales.

STERLING: Shares Soar as La Roche Offer Begins

(Continued from first finance page) sell many Hoffman-La Roche products over the counter in the United States. These products include several that are offered only under prescription in some countries. He mentioned vitamins, cold remedies and skin-care products. In an offer obviously designed to keep the channels of communication open, Mr. Gerber invited Mr. Pietruski and other top Sterling executives to stay in their current posts should Hoffmann succeed in its bid. The deal could become the first hostile takeover in the U.S. drug industry and could trigger a wave of other hostile takeovers, said Samuel D. Isaly, head of worldwide drug industry investment research at S.G. Warburg & Co. in New York. Sterling has been viewed as a prime takeover target because of its affordability and its strong consumer franchise. To avert a takeover, Sterling could restructure or sell off pieces of its business, he said. Ronald Nordmann, a pharmaceutical analyst for PaineWebber Inc., said he believed that Sterling's share value lies between \$83 and \$93 a share. In its current review of the drug business, conducted after the October stock market plunge, the Value Line Investment Survey argued that an economic slump in the United States would be "good news" for pharmaceutical shares because they generally have outperformed the market averages before and during a slowdown. Value Line added that the dollar's weakness was also good news for profits because a high percentage of companies' drug sales come from abroad. About 39 percent of Sterling's sales, for example, come from overseas. (LAT, Reuters, NYT)

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BUSINESS is your business

The most reliable source of Italian economic information

Advertisement for BUSINESS magazine featuring a portrait of a man and text in Italian: "Dinastie: le grandi famiglie di Bergamo", "COSTRUIRE UN IMPERO CON LA BO", "COME FONDARE UN'IMPRESA CON LA FAMIGLIA S.P.", "IN REGALO BANCHE", "ALL'INTERNO DOSSIER AUTENTICO".

Vertical text on the left margin: High, Low, Close, Volume, Bid, Ask, Spread, etc.

Vertical text on the right margin: Page 11, Business, etc.

Tuesday's AVEX Closing. Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press.

Table A: 12 Month High/Low, Div, Yld, PE, %Chg, 100s High/Low, Close, Open, Chg. Lists various stocks including IBM, AMER, and others.

Table B: 12 Month High/Low, Div, Yld, PE, %Chg, 100s High/Low, Close, Open, Chg. Lists various stocks including AMER, AMER, and others.

Table C: 12 Month High/Low, Div, Yld, PE, %Chg, 100s High/Low, Close, Open, Chg. Lists various stocks including AMER, AMER, and others.

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INTERNATIONAL FUNDS (Quotations by Funds Listed) 5th Jan. 1988

Large table listing various international funds with columns for fund name, share price, and other details. Includes sections for ALM GROUP, INTERNATIONAL FUNDS, and various regional funds.

Table listing various international funds (continued) with columns for fund name, share price, and other details.

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As - Australia Dollars; BF - Belgium Francs; C\$ - Canadian Dollars; DM - Deutsche Mark; ECU - European Currency Unit; FF - French Francs; Lit - Italian Lira; Lf - Luxembourg Francs; N.S. - Netherlands Guilders; P.F. - Portuguese Escudos; S.F. - Swiss Francs; S.M. - Spanish Maravedis; T. - Taiwan Dollars; U.S. - U.S. Dollars; Y.P. - Yugoslav Dinars.

Vertical advertisements on the right margin including 'Francs Cuts In By 0.25 Point', 'OTC', and 'Deutsche Marks'.

CURRENCY MARKETS

DOLLAR: Currency Soars on Concerted Intervention

half-day of trading Monday, the Nikkei stock average climbed 358.24 points, or 1.67 percent, to 21,575.28 on Tuesday. On the New York Stock Exchange, advanced fee declines by a 13-4 ratio.

London Dollar Rates table with columns for City, Bid, and Ask prices for various currencies like Deutsche mark, French franc, etc.

Bond Prices In U.S. Rise With Dollar

NEW YORK — U.S. bond prices rose 1/2 point on Tuesday, bolstered by the dollar's jump on foreign exchange markets. Currency dealers said that the U.S. Federal Reserve Board and other central banks bought dollars in the second day of concerted intervention.



Bidding was turbulent in Tokyo after central banks intervened to support the dollar.

Britain Reports Jump In Currency Reserves

LONDON — Britain's foreign currency reserves rose by a seasonally adjusted \$3.74 billion last month, the Treasury reported Tuesday. Analysts called the rise a reflection of the Bank of England's efforts to control a strong pound and support the dollar.

France Cuts Interest Rates By 0.25 Point, Cites Franc

PARIS — The Bank of France said Tuesday that it was cutting two key money market interest rates by a quarter of a percentage point, to reflect the healthy performance of the French franc on currency markets "within the context of confirmed disinflation."

SQUEEZE: Concerted Intervention by Central Banks Puts Pressure on Dollar Speculators

(Continued from Page 1) rowed the size of the profit; it could not necessarily have forced speculators into covering positions. For the new year, however, the exchange rate enters the books at 157 DM and 121 yen, meaning that even a modest rise in the dollar's value can turn the position into a loss-maker, increasing pressure on speculators.

But intervention, analysts assert, is tantamount to increasing interest rates. This explains the impact dealers place on the Fed's participation. Dealers estimate that about \$2 billion was spent on intervention Monday and about the same amount Tuesday, with the Fed estimated to have spent \$500 million and the Bundesbank \$400 million each day. The Swiss, Canadian, Italian and Austrian central banks also intervened, but the amounts were not large.

Direct action to raise U.S. interest rates is not deemed necessary because central bankers believe the current differential in world interest rates — just over 4 percentage points higher than Deutsche marks and just under 4 percentage points for the yen — is largely sufficient. But by intervening substantially, the Fed is signaling that it is willing to tolerate an increase in these differentials if that proves necessary.

France Cuts Interest Rates By 0.25 Point, Cites Franc

PARIS — The Bank of France said Tuesday that it was cutting two key money market interest rates by a quarter of a percentage point, to reflect the healthy performance of the French franc on currency markets "within the context of confirmed disinflation."

It lowered its intervention rate to 7.50 percent and its seven-day repurchase rate to 8.25 percent. The moves will take effect when the central bank injects funds into the money market on Wednesday by buying securities from financial institutions that it will later sell back to them.

It was the third quarter-point cut since the Bank of France raised the two rates by 0.75 point on Nov. 5 in conjunction with an easing of monetary policy by West Germany's central bank. That move was an attempt to stabilize the European Monetary System and support the dollar.

The other two cuts, on Nov. 24 and Dec. 3, were coordinated with rate reductions by the Bundesbank and other European central banks. In the repurchase part, the bank allocated 66.3 billion francs (\$12.39 billion) in new liquidity, more than the 62.5 billion francs that financial institutions must repay from earlier agreements.

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The dollar opened Tuesday in New York at 1.6150 DM, up about 3 pennings from Monday's close, and at 125.025 yen, up from 122.60 on Monday. By the close of trading Tuesday, the dollar was valued in New York at 1.6310 DM and at 127.80 yen.

There are no hard statistics available on how much short-covering was actually taking place. Some dealers said it was quite large, others said only modest.

But the fact that the coordinated intervention continued for a second day would seem to indicate that speculators need more convincing that central banks are serious in their determination to lift the dollar over the lows set early Monday in Asia of 120.45 yen and 1.5625 DM.

The reasons for doubt about official resolve are manifold. Present economic policies, according to the Organization for Economic Cooperation and Development, are unlikely to cut the U.S. current-account deficit — which measures trade in goods and services — below \$100 billion.

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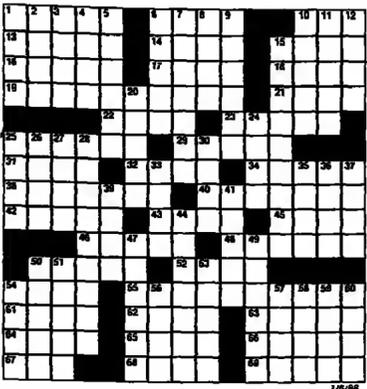
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Large table titled 'Tuesday's OTC Prices' listing various stocks and their prices. Includes sub-sections for NASDAQ prices and various stock categories.

Table with columns for 12 Month High, Low, Stock, Div. Yld., and other financial metrics. Contains multiple columns of data.

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ACROSS

1 Kind of case
6 News item, for short
10 Metric units: abbr.
13 Sacher — (a pastry)
14 Kind of jerk
15 F.W.: Comb. form
16 Choose
17 Egyptian solar deity
18 Gallery items
19 University at St. Louis
21 Melville work
22 Rod's partner
23 Author of "A Doll's House"
25 Typewriter part
29 Kovacs or Ford
31 Vestibule
32 Actress Miles
34 Dame Edith
38 States sans roof
40 Iron-horse feeder
42 Breathe hard
43 Sculptor
45 Ornamental fabric
46 Over

DOWN

1 Fuss
2 Indian weight unit
3 A son of Hera
4 Restless desire
5 Withdraw
6 Okla. Indian
7 Concern
8 Thought: feature: Abbr.
9 Astrigent
10 Caplin
11 Casaba
12 Mediocre power
15 Salt River dam
20 Pluck
24 Beverage in Wiesbaden
25 Pahlavi, e.g.
26 Blanch
27 — breve
28 Writer Amory
30 Riff's partner
33 Ferrara
35 Oriental nurse
36 Appellation
37 Snick-or—
39 Part of a chromosome
41 Sultik with rend or vend
44 — per aspera ("Kan. motto)
47 Fears
49 Birthplace of 28 Down
50 Entertain
51 Time periods
53 Abounding in birds' homes
54 European
56 Monogram
57 General
58 Medic. for one
59 Differ. as 25
60 Singers Acuff and Clark

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PEANUTS



BLONDE



BEEBLE BAILEY



ANDY CAPP



WIZARD of ID



REX MORGAN



GARFIELD



DENNIS THE MENACE



When I grow up and get famous, you'll have to pay to hear me yodel!

JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

UPDYM
CRANF
CHROID
YAUBET

Get me out! Get me out!
He's supposed to be quite a swinger.

WHAT THE GUY WHO GOT STUCK IN A REVOLVING DOOR DOESN'T GET ANYMORE.

Answer here:

Yesterday's Jumble: DEITY LINER MODISH DIGEST
Answer: What the caffeine tramboled did—LET THINGS SLIDE

WEATHER

EUROPE		ASIA	
HIGH	LOW	HIGH	LOW
Algeria	12-18	China	1-10
Amsterdam	10-15	India	1-10
Athens	10-15	Japan	1-10
Berlin	10-15	Korea	1-10
Bombay	10-15	Malaysia	1-10
Buenos Aires	10-15	Philippines	1-10
Calcutta	10-15	Singapore	1-10
Cairo	10-15	Taiwan	1-10
Cardenas	10-15	Thailand	1-10
Chengde	10-15	Tokyo	1-10
Colon	10-15		
Hankow	10-15		
Hong Kong	10-15		
London	10-15		
Manila	10-15		
Medan	10-15		
Osaka	10-15		
Prague	10-15		
Rangoon	10-15		
Seoul	10-15		
Singapore	10-15		
Tientsin	10-15		
Yokohama	10-15		

World Stock Markets

Market	Index	Change
Amsterdam	3482.5	+12.5
Brussels	2124.5	+12.5
Frankfurt	2124.5	+12.5
London	2124.5	+12.5
Paris	2124.5	+12.5
Sao Paulo	2124.5	+12.5
Singapore	2124.5	+12.5
Tokyo	2124.5	+12.5

BOOKS

THE THIRTEENTH MAN:
A Reagan Cabinet Memoir
By Terrel H. Bell. 195 pages. \$19.95.
Free Press/Macmillan, 866 Third Avenue, New York, N.Y. 10022.

Reviewed by Christopher Lehmann-Haupt
THIS book by President Reagan's first secretary of education, made a small splash of news last October when advance word was released of his assertion that midlevel administration officials made racist jokes and sexist remarks in discussions on civil rights at the White House. According to Terrel H. Bell—who calls his memoir "The Thirteenth Man" because his department is the 13th and newest cabinet-level department—the slurs included disrespectful epithets for the Reverend Dr. Martin Luther King Jr. and references to Title IX, the section of U.S. federal law that guarantees equal opportunity for women in education, as the "heebians" bill of rights.

While these disparagements certainly arrest one's attention during a reading of Bell's memoir, they couldn't be more misleading as far as the book's general character is concerned. It's true that the author is consistently feisty over the way Edwin Meese 3d, then the White House counselor, and his "far-right" followers were forever waging guerrilla warfare against his agency. And he takes a gentle shot or two at David Stockman, who as director of the budget saw the Department of Education as a prime candidate for cutbacks.

BRIDGE

By Alan Truscott
THE longest lived expert partnership in the New York metropolitan region has been in action for about 30 years, though interrupted by a period of temporary retirement. The partners, Gene Prosznitz of Brooklyn and Ira Ewen of Jamaica Estates, Queens, began playing together when they were graduate students in the Boston area in the 50s, and they may eventually celebrate a golden anniversary—a far rarer event for bridge partnerships than for marital ones.

Market	Index	Change
Amsterdam	3482.5	+12.5
Brussels	2124.5	+12.5
Frankfurt	2124.5	+12.5
London	2124.5	+12.5
Paris	2124.5	+12.5
Sao Paulo	2124.5	+12.5
Singapore	2124.5	+12.5
Tokyo	2124.5	+12.5

OBSERVER
Coming Attractions

- By Russell Baker
NEW YORK — Here is a list of the columns I shall write in the coming year unless public pleas for mercy soften my heart.
1. Let's get rid of the Iowa caucuses.
2. Let's get rid of the New Hampshire primary.
3. Let's get rid of professional ice hockey.
4. Let's get rid of February.
5. Let's get rid of preachers in politics.
6. Let's get rid of the Super Bowl.
7. Let's get rid of Ed Meese.
8. Let's get rid of presidential candidates' nicknames.
9. Let's get rid of bumper stickers that substitute a Valentine heart for the word "love."
10. Let's get rid of that lousy New York license plate.
11. Why doesn't New York Mayor Ed Koch leave us alone?
12. Why doesn't Donald Trump leave us alone?
13. Why doesn't Lee Iacocca leave us alone?
14. Why doesn't the IRS leave us alone?
15. Why doesn't Brent Musberger leave us alone?
16. Why doesn't John McEnroe leave us alone?
17. Why doesn't the League of Women Voters leave us alone?
18. Why doesn't Toyota's advertising agency leave us alone?
19. Why doesn't Madonna leave us alone?
20. Why doesn't Princess Di leave us alone?
21. Let's get rid of nouvelle cuisine.
22. Let's get rid of gourmet pet food.
23. Let's get rid of Presidents' Day.
24. Let's get rid of Rambo.
25. Let's get rid of mail that tells people they can win a \$10 million prize simply by answering this piece of mail.
26. Let's get rid of red suspenders on yuppies.
27. Let's get rid of power lunches.
28. Let's get rid of stretch limousines.
29. Let's get rid of Sotheby's art auctions.
30. Let's get rid of the Dallas Cowboys.
31. Bring back John Unitas.
32. Bring back Frank Lloyd Wright.
33. Bring back John Dillinger.
34. Bring back the Brooklyn Dodgers.
35. Bring back Michelangelo.
36. Bring back Howard Cosell.
37. Bring back the '69 Buick Electra.
38. Bring back the dollar.
39. Bring back the trolley car with an amusement park at the end of the line.
40. Bring back John Wayne.
41. Let's get rid of Hustler magazine.
42. Let's get rid of Senator Jesse Helms.
43. Let's get rid of "significant others."
44. Let's get rid of the Baltimore Orioles' pitching staff.
45. Let's get rid of the gorilla look in women's clothing by getting rid of the shoulder pads.
46. Let's get rid of waiters who interrupt our conversations to ask if the execrable meal they have just served us is "all right."
47. Let's get rid of air travel.
48. Let's get rid of tennis.
49. Let's get rid of photo opportunities.
50. Let's get rid of Ed Meese again.
51. Can the United States meet the challenge of producing a pitcher who can throw nine innings every four days for seven months without needing surgery on his rotator cuff?
52. Can the United States meet the challenge of creating a microwave oven that will thaw the mous-saka all the way to its center?
53. Can the United States meet the challenge of keeping its public radio and television stations on the air without constantly oggling their audiences to meet the challenge of matching a gracious donor's challenge offer?
54. Can the United States meet the challenge of producing dozens of dynamic newspaper columnists capable not only of charming the eye-glazers every week, but also of dazzling the television audience with regularity while mulling the lecture circuit for mighty thick lettuce?
55. Let's get rid of —
New York Times Service

A Musical Version of 'The Chosen'



A baseball team of Hasidic Jews takes on another squad of Brooklyn players in a scene from 'The Chosen,' a musical based on the best-seller by Chaim Potok.

By Mervyn Rothstein
New York Times Service
NEW YORK — "This has cost me a ovel," says Chaim Potok. "I should be working on it right now. I really should. And I will never write it. You have a finite life to live, so that the price I've paid is a ovel, and I don't know whether it is or is not worth it."
What has cost Potok a novel is the musical version of his first novel, "The Chosen," starring George Hearn and Gerald Hiken, with music by Philip Springer, lyrics by Mitchell Bernard. It opens Wednesday at the Second Avenue Theater.
Potok wrote "The Chosen" in 1967, and it became a huge best-seller. Over the last 20 years, Potok's story of two teen-age Jewish boys and their fathers in 1940s Brooklyn — one boy the brilliant heir of the anti-Zionist leader of a Hasidic sect, the other the son of a Zionist rabbi — has sold millions of copies.
His other novels — "The Promise," "My Name Is Asher Lev" and "In the Beginning" among them — also became best sellers. In 1981, "The Chosen" was turned into a critically praised movie starring Rod Steiger as the

PEOPLE

Juan Carlos Turns 50; His Father Is Honored

Don Juan de Borbon y Battenberg, who renounced the Spanish throne in favor of his son Juan Carlos, was chosen "Man of the Year" by a Spanish newsmagazine as Juan Carlos, who few thought would last long when he assumed the throne in 1975, celebrated his 50th birthday. The magazine came to the "quiet craftsman" behind Spain's peaceful transition from dictatorship to democracy with his son as the constitutional monarch Juan Carlos, who was 50 Tuesday, became king following the death of General Francisco Franco in 1975. Known as the "king who never reigned," Don Juan told the magazine that "circumstances of history made me first the son of a king and then the father of a king. But in monarchy it is the institution, not the individual, that counts."

The film director Federico Fellini Tuesday sued the French distributor of his film, "Intervista," and called for its withdrawal from cinemas in France in its present form. Lawyers for Fellini contended both the dubbing into French of the film, and said the French subtitles of the original version did not reflect the Italian dialogue.

Frank Sinatra is expected to earn \$1 million for a one-hour concert in Australia Saturday, the entertainer's manager said. Sinatra, 72, will perform at the Sanctuary Convention and residential complex, the Gold Coast, 30 miles (80 kilometers) south of Brisbane.

Rebecca Wesson Darwin, 34, was named publisher of The New York Times magazine, Steve Florio, the company president, announced. Darwin will take over the job from Florio, who will retain the president's post. Darwin joined the magazine in 1985.

Frances Stokoff, the founder of the Gotham Book Mart in New York, was honored for her 100th birthday, surrounded by a literary crowd in what the novelist John Updike has called "my favorite bookstore in North America." There was a book-stamped celebration of literary talk as a first-time author, editors and book buyers paid tribute to her Monday night. She turned 100 on New Year's Eve.

ANNOUNCEMENTS

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EMPLOYMENT
DOMESTIC POSITIONS AVAILABLE
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DIVORCE IN 24 HOURS
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